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AN ANALYSIS OF CONFLICTING TESTIMONY



THIS MONTH'S COVER: NEW HAVEN

A lithograph by D. C. Smith from a painting by his partner, B. F. Smith, Jr., the cover view is of New Haven, Conn., as it appeared from Ferry Hill in 1848. Tomlinson's Bridge, in the center, was built in 1798 and demolished in 1885. The promontory at the extreme right is East Rock. . . . This print from the Phelps Stokes collection appears through the courtesy of the New York Public Library. . . . On an inlet of Long Island Sound about 70 miles northeast of New York, New Haven was first settled in 1637-1638 by English Puritans under the leadership of the Reverend John Davenport and Theophilus Eaton. The Bible was adopted as its constitution; voting and office holding were the privilege of church members only. With some of the neighboring settlements the town in 1643 formed the independent New Haven Colony, famed for the severity of its blue laws. Some twenty years later it was made a part of the Connecticut Colony, and from 1701 to 1873 New Haven was, jointly with Hartford, the Connecticut capital. . . . From the latter half of the 1700's until the War of 1812, the city carried on a thriving trade with both Atlantic and Pacific ports, but in the Nineteenth Century manufacturing replaced trading as its primary pursuit. The manufactures of the present city (aerial view above) include hardware, clocks, and automotive products. Its population in 1930 was 163,000.



PREPARATION OF A THROUGH LOCOMOTIVE AT A DIVISION STOP—CHARLES PHELPS CUSHING PHOTO

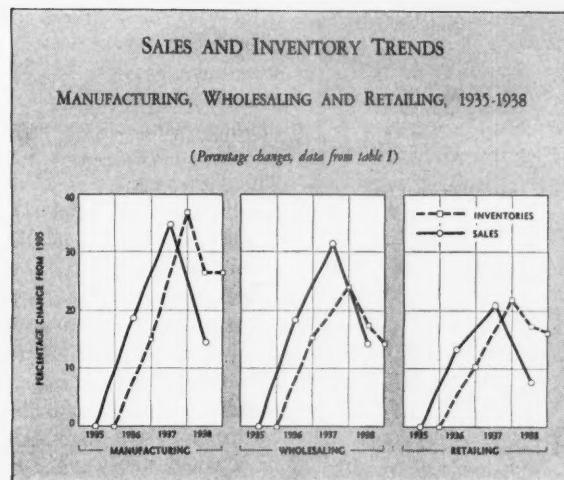
DUN'S REVIEW FOR MARCH 1939



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SURVEY OF BUSINESS TRENDS—1938

SALES AND INVENTORIES

A PRELIMINARY REPORT

TABULATION of the first 10,000 returns of the Survey of Business Trends coming from the reasonably successful and stable business enterprises of the country reveals that the aggregate dollar sales volume of contributing manufacturers was 12 per cent smaller in 1938 than in 1937; that of the wholesalers, 10 per cent smaller; and of the retailers, only 8 per cent below the 1937 level (table I). These declines represent a retreat to about the 1936 level in all three of these broad fields.

Both the manufacturers and wholesalers in the survey sample had curtailed inventories by 8 per cent during 1938 while the 7,400 independent retailers had decreased their stocks by only 5 per cent. In none of the three instances did these retrenchments bring inventories back as near 1935 levels as

This preliminary report—hastened in the hope that it will aid business executives in making current plans—will be followed in succeeding numbers of DUN'S REVIEW by further reports on the Survey of Business Trends, presenting data on the burden of taxation on business and more complete information about sales and inventories.

sales had gone. Inventories reported by the 1,900 manufacturers in this preliminary sample are not only higher than at the close of 1935 or 1936, but had not been reduced since the DUN & BRADSTREET Mid-year Inventory Survey on June 30, 1938. Practically the same story is true but to a lesser degree of stocks held by the reporting retailers. The wholesalers, however, continued to reduce stocks throughout 1938 and

ended the year below the 1936 level.

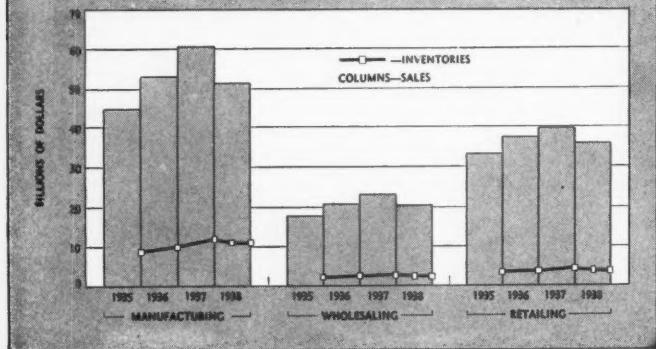
	PER CENT CHANGES IN INVENTORY AT CLOSE OF 1938		
	From End of 1935	From End of 1936	From Middle of 1938
Manufacturers	+26.4	+9.9	0
Wholesalers	+14.3	-0.9	-2.8
Independent Retailers..	+16.5	+5.5	-0.8

On the basis of past experience and careful study, three conclusions may be ventured as to the significance of these figures: first, because the figures represent the experience of the "upper-crust" of management, they constitute the landmarks by which the individual business man may safely check his position; second, the survey results are now—and probably will be in the final report—more optimistic as to 1938 sales trends than would be found in a complete picture of business; third, the inventory trends shown by the survey are probably a more accurate reflection of total business experience than sales.

SALES AND INVENTORY TRENDS

MANUFACTURING, WHOLESALING AND RETAILING, 1935-1938

(Dollar estimates, data from table I)



Acting on the above general conclusions, and after careful checking with other surveys and with qualified observers in the several trades, our best guess or "compensated estimate" as to the sales trend in each line has been used, rather than the sales record of the survey sample, in estimating the total dollar volume of 1938 business (tables I and II). On this basis the total 1938 sales of all manufacturers are estimated at \$51,604 million, or 15 per cent below 1937; of wholesale merchants, at \$20,144 million, a decline of 13 per cent; and of all retail trade, at \$35,593 million, a falling off of 11 per cent. In all these instances the compensated estimate assumes a sharper sales decline than was shown by the present survey.¹ Department of Commerce estimates are also included in the tables for convenience

¹ Last year's Survey of Business Trends over-estimated 1935-1937 sales increases, according to census figures which have since become available. Degree of "excess success" or "upward bias" of contributors:

	Over a Two-Year Interval	Per Year
Manufacturing	3%	1 1/2%
Wholesaling	4%	2 1/2%
Retailing	5%	2 1/2%

Business men interested in pooling their information in order to have a better picture of the business landscape inevitably represent progressive and better-than-average management. The laws of human nature cannot be reversed by the wishes of business analysts; a man who has done well is always a little more willing to tell about it than the man who has suffered business reverses, even though the latter is well aware that the survey returns are not used for credit-rating purposes. Moreover, many an unsuccessful store, still struggling at the beginning of 1938, was out of business long before the survey was made. Since successful enterprises become a minority during adverse business conditions, their reports differ more widely from the trade average in bad times than in good. Therefore our preferred estimates allow for somewhat greater differentials under present conditions than in the 1935-1937 period.

in comparisons.

Inventory trends are presented here as reported by the preliminary sample in the survey. There is no basis for adjustment or "compensation," simply because no other reliable figures exist outside of the department store trade and a few manufacturing lines, where they

which dollar trends of sales and inventories must be viewed:

	Annual Averages	Per Cent Change
Raw Materials.....	54.8	-15.1
Semi-Manufactured	85.3	-11.7
Finished Products.....	87.2	-5.7
Farm Products.....	86.5	-20.7
Foods	85.4	-13.8
Textile Products.....	76.3	-12.6
Building Materials.....	95.2	-5.3

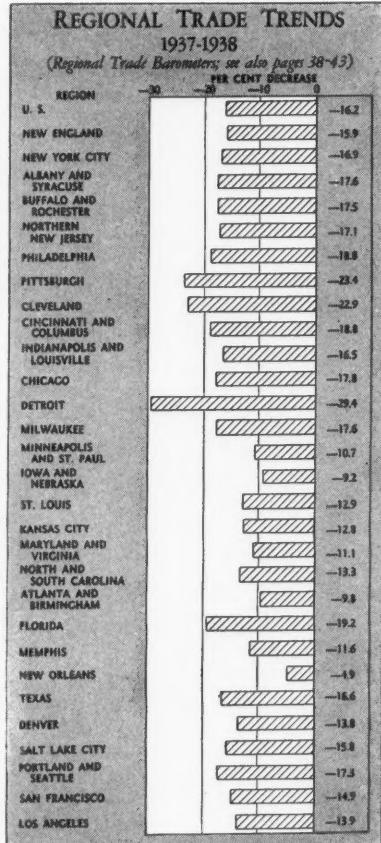
These figures are more applicable to sales than inventories since no one knows the extent to which the "lower of cost or market" is actually followed by business enterprises in the revaluation of their inventories. Estimated changes in the retail price levels of specific commodities have been called to attention where applicable in the detailed discussion below, since retail prices, respectable creatures of habit, jump around less rapidly and violently than wholesale quotations.

In the study of the survey figures, it

Opposing Factors

The well-managed concern, as typified by contributors in this survey, commonly has inventories so well under control that they can be reduced in line with downward sales trends or an unfavorable business outlook. But if good management suffered less than average sales losses, radical curtailment of stocks may have been undesirable. There is no way of measuring the relative strength of these two opposing factors, but their effect of neutralizing each other tends to increase the accuracy of inventory estimates based on such reports.

Changing price levels must necessarily be kept in mind in the interpretation of these or any similar survey results. A sustained dollar volume in the face of a general downturn in prices during the latter part of 1937 and the most part of 1938 would commonly indicate an actual increase in the physical volume of goods handled. The following figures from the Bureau of Labor Statistics wholesale price indexes form the swaying background against



must be remembered that the sales and inventory cycles have no sense of cosmic rhythm; they do not obligingly reach high points or low points at the ends of calendar years. The few sets of monthly inventory data available suggest that inventories reached their low point in many trades during the Fall of 1938, about one year after the high point of inventory holdings in the Fall of 1937. Some reaccumulation had apparently started by the close of 1938. This would account for the preliminary finding of the current survey that sales declined more rapidly than inventories in manufacturing and wholesaling and in fourteen of the sixteen retail trades analyzed. Similarly, two-thirds of the contributing retailers reported decreased sales, whereas only one-half of them had curtailed their inventories.

Industrial production was still moving downward—though not plunging—until about the middle of 1938. Wholesale and retail sales, as shown by Department of Commerce reports and Regional Trade Barometers in DUN'S REVIEW, followed about the same course.

One other consideration necessarily enters the interpretation of the survey figures. They are national averages, and business conditions have not been equally unfavorable in all parts of the country. The business man may rightfully expect his enterprise to have made a better or a poorer showing than the average for his trade, depending upon local conditions. This is particularly true of retailing.

As background in allowing for these regional differences, the Regional Trade Barometers with trends from 1937 to 1938, as shown in the accompanying chart, should be helpful (also see pages 38-43).

Retail trade volume in almost all of the eastern seaboard regions has been below the United States average through the year, and the same is true of the Detroit area. Conversely, most of the southern and southwestern regions have enjoyed conditions considerably above the national average,

and the Indianapolis-Louisville area stands out with a similar record. The remaining territories seem to have experienced conditions more or less in line with the national average.

In Retail Trades

Enough returns have already been received in sixteen of the large retail trades to permit separate estimates of these trades in our preliminary report. These are presented in tables II and IV. Table II is devoted to a comparison of various available estimates of sales trends. The Department of Commerce figures in the second column depend

heavily on the results shown by their monthly indexes of automobile and chain retailing, and upon monthly reports from independent retailers in 27 States, checked with various trade observers and journals. The Census Survey of Business, quoted in the third column, used voluntary returns from a mailed questionnaire, attained a 33 per cent coverage of wholesale volume, 17 per cent of retail. It is not a complete census and pertains only to the first half of 1938. This, when compared with early 1937, is far more depressing than a latter-half comparison, when 1937 sales were slipping and 1938 gaining.

I. SALES AND INVENTORY TRENDS FOR MANUFACTURING, WHOLESALING, AND RETAILING, 1935-1938

SALES	MANUFAC-	WHOLE-	ALL
	TURING	SALE-	RETAILING
	Millions of Dollars	Millions of Dollars	Millions of Dollars
1935, Actual Census Totals	44,994	17,662	33,161
1936, Revised D & B Estimate ¹	53,453	20,894	37,472
1937, Revised D & B Estimate ¹	60,710 ²	23,154	39,992
1938, D & B Survey, Compensated ³	51,604	20,144	35,593
SALES TRENDS	Per Cent Change	Per Cent Change	Per Cent Change
1935 to 1936, Revised D & B Estimate	+ 19	+ 18	+ 13
1936 to 1937, Revised D & B Estimate	+ 14	+ 11	+ 6
1937 to 1938, D & B Survey	- 12	- 10	- 8
1937 to 1938, Department of Commerce Survey	- 18	- 13	- 12
1937 to 1938, D & B Survey, Compensated	- 15	- 13	- 11
INVENTORIES	Millions of Dollars	Millions of Dollars	Millions of Dollars
End of 1935, Computed from Census	8,653 ⁴	2,054	3,344
End of 1936, Revised D & B Estimate	9,951 ⁴	2,368	3,692
End of 1937, Revised D & B Estimate	11,851 ⁴	2,543	4,077
Middle of 1938, Revised D & B Estimate	10,939	2,415	3,926
End of 1938, D & B Survey	10,939	2,347	3,882
INVENTORY TRENDS	Per Cent Change	Per Cent Change	Per Cent Change
1935, End, to 1936, End, Revised D & B Estimate	+ 15 ⁴	+ 15	+ 10
1936, End, to 1937, End, Revised D & B Estimate	+ 19 ⁴	+ 7	+ 10
1937, End, to Mid-1938, D & B Estimate	- 8	- 5	- 4
1937, End, to 1938, End, D & B Survey	- 8	- 8	- 5

¹ "Revised DUN & BRADSTREET Estimates" are estimates recorded in last year's Survey of Business Trends (DUN'S REVIEW, May, 1938) revised in some part after conferences with representatives of the Bureau of the Census and the Bureau of Foreign and Domestic Commerce on the basis of Bureau of Census statistics for 1937 which have since become available. In general the method used was to revise the 1937 D & B estimates and then interpolate for 1938 according to previously established trends.

² Census of Manufactures: complete coverage, not an estimate.

³ The 1938 estimates are placed about 3 per cent below what the actual returns to DUN & BRADSTREET would indicate, an adjustment which experience has shown to be necessary because of the predominance of successful concerns among the contributors. These estimates are preliminary and subject to revision after later tabulation of a larger body of returns.

⁴ In the case of manufacturing inventories for 1935, 1936, and 1937 some revision was made with the help of income statistics of the Bureau of Internal Revenue.

The compensated estimates, column four, are the result of conferences with trade journal editors and association executives. Table IV presents, for ready comparison with 1938 trends, the earlier DUN & BRADSTREET survey figures on sales and inventories.

Autos and Gasoline

The most striking story is presented by two related trades catering to the public's outstanding modern hobby, luxury, and necessity—motoring. The automobile industry has often been cited by economists and business observers as a paragon of intelligent, free competition. This industry, like any youngster, is able to run a fever upon apparently slight provocation and just as quickly lapse back to subnormal pulse and temperature, when the same dosage of economic wet weather merely gives other lines of business a headache. Similarly the retail distribution of auto-



ATLAS

mobiles and their fuel seems likely to furnish more than its share of news value in any analysis of retail trends.

Ignoring for the moment any question of optimism in the DUN & BRADSTREET survey as a whole, a genuine and accurately measured difference turns up between the record of motor vehicle dealers, whose sales total (including used cars and service) declined by 25 per cent in 1938, and that of filling

stations, which almost held their own on the 1937 sales level.

Retail gasoline prices are estimated by trade observers to have averaged 4 per cent lower in 1938 than in 1937. Hence, the recorded decline of 5 per cent in the sales of the participating filling stations indicates little if any decline in the volume of fuel handled—assuming no marked addition during the year to the quantity of tires and accessories handled by these stations. Figures from the American Petroleum Institute on gallonage of gasoline taxed for highway use confirm the conclusion that there was practically no decline from 1937 to 1938.

Still Drove

It seems quite sensible and evident that the public in 1938 preferred to grow poor slowly. The average motorist did not feel too pinched to continue driving his car, but he either did not

II. COMPARISON OF SALES TREND ESTIMATES FOR 16 RETAIL TRADES, 1937-1938

TRADE	PERCENTAGE CHANGE				SALES IN MILLIONS OF DOLLARS	
	Year 1937 to Year 1938		First Half of 1937 to First Half of 1938 Census Survey	Year 1937 to Year 1938 D & B Survey, Compensated		
	D & B Survey	Bureau of Foreign and Domestic Commerce			Independents Only	1937 ¹
Groceries, and Groceries and Meat	Independents Only	Trades as a Whole	Independents Only	Independents Only	1937 ¹	1938 ²
Country General Stores	— 1	— 5	— 7	— 6	4,419	4,154
Farmers' Supplies	— 6 }	— 11	{ — 11	— 9	1,265	1,151
Department Stores ³	— 11 }	— 11	{ — 19	— 13	732	637
General Merchandise and Dry Goods	— 8 ⁴ }	— 8	{ — 11	— 8	2,301	2,122
Variety Merchandise	— 5 }	— 5	{ — 11	— 8	607	558
Men's and Boys' Clothing and Furnishings	+ 1	— 4	— 4	— 2	94	92
Women's Clothing and Accessories	— 11 }	— 9	{ — 17	— 16	605	508
Shoes	— 4 }	— 9	{ — 9	— 11	881	784
Furniture	— 4 }	— 7	{ — 7	— 7	300	279
Lumber and Building Materials	— 14	— 17	— 24	— 16	931	782
Hardware	— 5 }	— 12	{ — 17	— 10	1,240	1,116
Motor Vehicles	— 7 }	— 12	{ — 12	— 12	984	866
Filling Stations	— 25	— 35	— 35	— 27	5,214	3,806
Restaurants and Other Eating Places	— 5	— 3	— 4 ⁴	— 4	2,595	2,491
Drugs	— 0	— 3	— 4 ⁴	— 2	1,092	1,070
All Other Retail Trades	— 5	— 13	— 4 ⁴	— 12	6,502	5,722
TOTAL—All Independent Retailing	— 8	— 12	— 15	— 12	31,317	27,584

¹ See footnote 1, table 1.

² See footnote 3, table 1.

³ Department Store Indexes—(Chains and Independents)—Federal Reserve Board.

⁴ Information not available.

have the money to put out for a new car or did not feel optimistic enough to spend it.

Moreover, automobile dealers did not fare as badly as might have been expected from the 40 per cent drop in new car registrations from 1937 to 1938. They apparently reaped considerable benefit from the motoring public's resolve to keep the old buggy running. Since gasoline consumption in gallons held even with 1937 it seems likely that repair charges were as large or larger. The records of a survey by the Automobile Manufacturers' Association shows that used-car sales dropped off by only 25 per cent, about in line with the trend of total sales among the DUN & BRADSTREET sample of dealers. For instance, in 1938 there were 216 used cars sold for every 100 new cars, whereas the ratio in 1937 was only 160 used to 100 new cars.

All this may be small comfort to the automobile dealers whose sales suffered a sharper decline than the retailers in any of the sixteen other trades tabulated

ABOUT THE SURVEY OF BUSINESS TRENDS

THE Survey of Business Trends, from which preliminary findings appear here, will be reported in further detail in future numbers of DUN'S REVIEW. This preliminary report is based upon analysis of the first 10,000 returns received from a general mailing of questionnaires to every business concern of record on January 1, 1939.

The schedule asked the contributor for a record of his sales volume in 1937 and 1938, together with inventories at the close of each of those two years. Individual schedules were carefully edited upon receipt to eliminate imperfect returns and answers by concerns which had not been in business during the full two years.

In compiling the average trends for the three broad fields of manufacturing, wholesaling, and retailing, the trend of each industry was separately computed in every case where justified by the sample of returns. In assembling the final estimates each industry has been given its proper weight, according to latest available census figures. Classification of industries and trades follows closely the practice of the Bureau of the Census.

This project was undertaken by the DUN & BRADSTREET Research and Statistical Division, supervised by Walter Mitchell, Jr., and Fernley G. Fawcett, under the general direction of Willard L. Thorp.

here. The consolation is that 1938 would have looked far gloomier without the used car and service business. The downtrend was almost universal, with 90 per cent of the dealers reporting decreased trade, compared with an average of 65 per cent of the retailers in other trades reporting less volume.

Automobile dealers reduced their inventories by about 17 per cent net between the end of 1937 and 1938, with three-fourths of them reporting reduced inventories against only one-half of the retailers in other lines.

The campaign in the Spring of 1938 for the disposal of used cars seems to account for most of this reduction since the Mid-Year Inventory Survey (DUN'S REVIEW—October 1938) also showed 18 per cent decline

from January 1. It should be a source of satisfaction that year-end stocks do not reflect any added holdings of used cars traded in on new models during the Fall. In contrast to this, the DUN & BRADSTREET sample of filling stations shows an increase of 4 per cent in inventory valuation and only one-third of them report a curtailment of inventory.

Foods

Because people must eat in bad times as well as in good, the physical volume of food retailed and consumed remains very nearly constant. Changes in the dollar volume reflect mainly changes in the price level. The sample of grocers and combination stores, carrying both groceries and meats, reporting to DUN & BRADSTREET averaged practically no loss of business—down 1 per cent.

This experience of reasonably successful and permanent members of the trade is both a guide for the individual merchant and a starting point for estimating the volume of food retailing. Another survey of better-than-average stores made by the editors of *Progressive Grocer* shows a 3.5 per cent decline; the Department of Commerce has estimated a 5 per cent decline for the grocery trade as a whole; the best available guess is that independent grocers suffered a decline of 6 per cent in 1938.

III. SALES BY RETAIL CHAIN STORES, 1937-1938

TRADE	FROM YEAR 1937 TO YEAR 1938	Estimated Volume *	
		Per Cent Change	Millions of Dollars
Grocery, and Grocery and Meat Chains	— 1.7 ²	2,646	2,601
Variety Chains	— 3.7 ¹	803	773
Men's and Boys' Clothing and Furnishing Chains	— 14.0 ²	169	145
Shoe Chains	— 8.2 ¹	306	281
Restaurant Chains	— 10.3 ³	251	225
Drug Chains	— 5.1 ²	365	347
Department Store Chains	— 7.8 ¹	1,579	1,456
Three Types of Chains Combined	— 4.7 ⁵	625	595
All Other Chains	— 5.9 ⁶	1,931	1,818
TOTAL—All Types of Chains	— 5.0	8,675	8,241

* These figures were developed by applying successive annual percentage changes to 1935 *Census of Business* figures.

¹ Chain Store Age.

² Department of Commerce, Bureau of Foreign and Domestic Commerce.

³ Survey of Current Business.

⁴ Department Store Indexes—Federal Reserve Board data were used on the assumption that chain and independent operations in this trade were similar.

⁵ Includes Bakery Chains, Automobile Accessory and Parts Chains, and Women's Clothing and Accessory Chains.

⁶ Chain Store Index from Survey of Current Business, 11 months, 1938.

This is in sharp contrast to the chain grocery record, which shows only 1.7 per cent decline, according to the Department of Commerce Index. This appears to repeat the history of the depression years of 1931 to 1933 when independent grocers suffered more than chains. Conversely, the independents built up their sales volume more rapidly than the chains in the period from 1934 to 1937.

Retail food prices, as shown by the Bureau of Labor Statistics were down about 7 per cent in 1938 compared with 1937, which would make it appear that the physical volume of goods handled by the independents held even with 1937 or may even have increased slightly. The volume of goods handled by chain stores apparently increased by about 5 per cent.

The history of restaurant sales might validly be considered along with the

food stores, since the essential difference is that the food is carried home inside instead of outside the customers. The DUN & BRADSTREET sample of independent restaurants shows a 5 per cent decline in sales, and a record of a 10 per cent decline in the yearly sales volume of a group of chain restaurant organizations. It seems likely that the restaurant business as a whole declined about

7 per cent from the year 1937 to the year 1938.

Country general stores, like food stores, deal primarily in necessities and consequently enjoy relatively greater stability of business than most other types of retailing. Also, because of the growing tendency in recent years of consumers to travel by automobile to the larger trading centers for clothing, furniture, and important purchases there has been a marked tendency for country general stores to become primarily food stores.

The DUN & BRADSTREET preliminary sample of 900 country general stores shows a decline of over 6 per cent for the year as compared with 1937. The story told by this sample matches exactly the rate of decline in the Department of Commerce index of rural sales of general merchandise, based on the records of small-town department store



EWING GALLOWAY

IV. SALES AND INVENTORY TRENDS FOR 16 RETAIL TRADES, 1935-1938

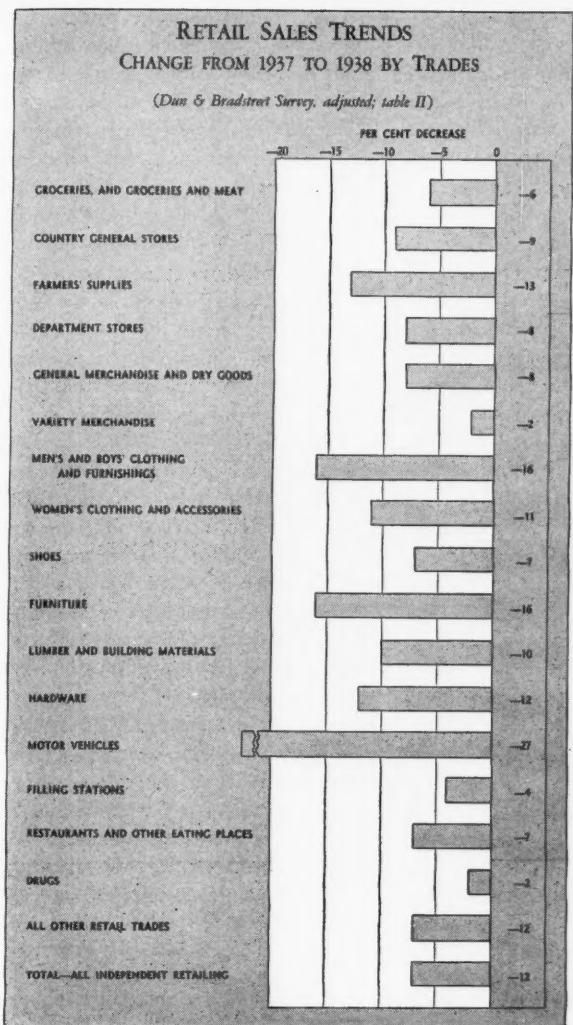
(Based on aggregates of dollar volume)

TRADE	SALES TRENDS				INVENTORY TRENDS		
	1935-1937 Revised Estimates ¹		1937-1938 Survey		Per Cent Change	Per Cent Change	Per Cent of Cases
	Per Cent Change	Per Cent Change	Cases Reporting Decreased Sales	End of 1935 to End of 1937			
Groceries, and Groceries and Meat	+ 13	- 1	57	+ 14	+ 1	0	40
Country General Stores	+ 14	- 6	67	+ 13	0	- 3	52
Farmers' Supplies	+ 22	- 11	68	+ 27	- 7	- 2	49
Department Stores ³	+ 17	- 8	..	+ 11	- 4	- 14	..
General Merchandise and Dry Goods	+ 15	- 5	68	+ 16	+ 2	- 4	56
Variety Merchandise	+ 15	+ 1	42	+ 13	+ 8	+ 2	38
Men's and Boys' Clothing and Furnishings	+ 18	- 11	81	+ 40	- 2	- 8	75
Women's Clothing and Accessories	+ 18	- 4	58	+ 23	- 2	- 4	48
Shoes	+ 19	- 4	66	+ 23	+ 2	- 2	49
Furniture	+ 34	- 14	75	+ 23	- 5	- 5	59
Lumber and Building Materials	+ 43	- 5	64	+ 19	- 1	- 3	53
Hardware	+ 30	- 7	68	+ 15	+ 1	- 1	52
Motor Vehicles	+ 36	- 25	91	+ 43	- 18	- 17	73
Filling Stations	+ 33	- 5	48	+ 39	+ 13	+ 4	33
Restaurants and Other Eating Places	+ 24	- 5	59
Drugs	+ 17	0	57	+ 13	+ 1	+ 2	38
All Other Retail Trades	+ 27	- 5	..	+ 23	- 4	- 3	..
TOTAL	+ 27	- 8	65	+ 23	- 4	- 5	50

¹ The 1935-1937 trend estimates are similar to those published in the May, 1938, issue of DUN'S REVIEW. In a number of cases the percentage of increase shown at that time now appears too high and was reduced after joint study with officials of the Bureau of Census and of the Bureau of Foreign and Domestic Commerce.

² The December, 1937-June 30, 1938, trends are published in the October, 1938, issue of DUN'S REVIEW.

³ Federal Reserve Board—Department Store Indexes.



chains and the stores of large mail-order organizations (excluding mail-order business). This fine coincidence may mean that the DUN & BRADSTREET sample accurately reflects the fortunes of the country retailers and that they fared as well last year as the large organizations.

A Yardstick

A more likely conclusion is that the sample, as in other trades, represents a reasonable goal against which the individual merchant may measure his results, though the total fortunes of the trade may be less favorable. This latter

view seems plausible in view of widespread trade comment that superior merchandising and display have attracted much trade from the small crossroads stores into the general stores operated by chains and mail-order houses. Our compensated estimate places independent country general store business as a whole three points below the performance of the survey sample—an estimated 9 per cent decline.

The sample of farmers' supply stores tabulated in this survey includes some co-operative organizations and concerns which both assemble farm products and sell to the farmers. Inasmuch as tractor and implement business has slumped sadly, and the average price level of farm products dropped from 1937 to 1938 by 21 per cent, a considerably sharper decline than occurred in prices of other types of goods, it is not astonishing to find the survey sample in this trade reporting 11 per cent smaller volume in 1938. Approximately the same trade group was found by the Census Bureau to have suffered a 19 per cent decline the first six months of 1938, compared with the first half of the previous year. General reports indicate a pickup in rural business of most regions during the last quarter of 1938,

and the compensated estimate has been placed at minus 13 per cent.

Drugs

The volume of drug-store business has apparently not suffered unduly, and the available records suggest that independent retailers fared better than chains with respect to 1938 sales volume. Trade estimates place the decline in chain drug sales volume at 5 per cent in contrast to the DUN & BRADSTREET sample of independents who suffered no decline in volume. The editors of *Drug Topics* estimate that the trade of independent stores among their magazine's readers dropped only 1 per cent from their 1937 level. In between these figures lies the Department of Commerce estimate of 2.5 per cent decline for the total retail drug trade. Our compensated estimate of the shrinkage of independent sales volume is 2 per cent.

Among all the retail trades, druggists seem to be the most devout believers in legislation as a cure for business ailments. Perhaps this can be traced to long experience in handling proprietary medicines, for the best salesman is always the man who believes in what he sells and uses it himself. Sales records from the present survey would seem to confirm the retail drug trade's faith in the proprietary cure of resale price maintenance, available now under the fair trade acts of more than 40 States and facilitated by the Federal Miller-Tydings Act.

If, as some sample surveys have indicated, the effect of fair trade laws has been to force prices of trade-marked cosmetic and drug items upward in the chain stores while dragging prices down in many independent stores, the difference in physical volume between chains and independents would be even greater than the difference in dollar volume cited above. On that assumption chain organizations sold many items at higher prices in 1938 than in 1937, while some independent stores in small towns, suburbs, and other locations not directly competitive with cut-price outlets have sold a substantially

larger volume of goods in 1938 in order to maintain their reported record of an equal sales volume.

Druggists' inventories as reported in the survey are probably about in line with their sales trend. The net decline from the end of 1937 to the end of 1938 was not quite in step with sales, but it seems likely that inventories reached a



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low point during the Fall and had been built up again somewhat by the end of December.

Variety Stores

The DUN & BRADSTREET sample of 143 independent variety stores, 60 per cent of which reported increased sales, appears to be a crop of fairly successful operators. They register the only significant increase in sales volume reported by any of the sixteen trades, and their story of a 1 per cent sales increase is confirmed by a private survey of a voluntary group. Again it seems likely that this is a goal figure for the individual retailer in this trade rather than an indication that the entire consuming public has suddenly gone gadget-minded at the expense of all other kinds of consumption. The Department of Commerce index of chain variety store sales, with almost complete coverage of chains in a trade where they do 90 per cent of the business, shows a 4 per cent decline. Our compensated estimate is a 2 per cent drop in sales among independents.

Inventories of the variety stores re-

porting to the DUN & BRADSTREET survey have been kept about in line with sales, and the inventory record is consistent with the sales report in that 60 per cent of these stores had increased their inventories—a higher proportion than was found in any other trade.

Apparel Trades

The Bureau of Foreign and Domestic Commerce official estimate for all the apparel trades was an 8.5 per cent sales decline from 1937 to 1938. The DUN & BRADSTREET survey, however, suggests that the fortunes of men's and women's clothing trades have been quite different, with considerably more decline in men's clothing lines. The women got the best of it on the family budget, as usual. Men's wear volume in the survey stores dropped by only 11 per cent, but the grief was extraordinarily widespread, occurring in eight out of every ten stores. The cuttings of men's wool suits and overcoats reported to the Census Bureau by manufacturers was down about 25 per cent in 1938 as compared with the same period in 1937, and these figures on cuttings represent about 90 per cent of the industry.

Even allowing for the quality of the survey contributors, men's wear retailers did not suffer as badly as manufacturers. They "lived off inventories" to a considerable extent during 1938, for they finished 1937 with a considerable overstock. Inventories in that trade had gone up 40 per cent during 1936 and 1937, far more than in any of the other apparel trades. Moreover, it is the general trade observation that sales of haberdashery and small wears do not fluctuate as widely as the more expensive units of suits and overcoats. The Census Bureau's comparison of the first half of 1937 and 1938 shows about a 17 per cent decline, a figure confirmed by the records of the DUN & BRADSTREET Male Apparel Division, where the average size of orders approved for credit fell off by 16 or 17 per cent. This would seem a conservative estimate of the bad news for the year.

The inventory records in men's clothing are about in line with sales records and three out of every four stores succeeded in reducing inventories.

The survey sample indicates that women's clothing and accessory stores suffered only a 4 per cent decline, but the International Ladies' Garment Workers Union estimates that production of the industry in 1938 was 30 per cent below 1937. Records of the DUN & BRADSTREET Credit Advisory Service in this trade show that the average size of order and the total volume of credit approved both fell off by 11 per cent, which is taken as our compensated estimate. This is somewhat less optimistic than the census estimate of only a 9 per cent downturn in the first half year's volume, but corresponds with trade observations.

Inventories of the reporting women's clothing and accessory stores were curtailed during 1938 exactly in step with their reported sales decline.

The sample of 229 general merchandise and dry goods stores reports a trend which resembles the women's clothing record, with a 5 per cent decline in sales, and an almost proportionate decline in inventories. These figures, as in other trades, may properly serve as



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the merchant's guide to reasonably good store performance in 1938.

The story is similar for the shoe trade, the survey sample recording a 4 per cent decline against trade reports of 7 per cent among independent stores and a

(Continued on page 56)

TIME OUT FOR A HOBBY

*A Doctor Tells What Hobbies Can Do To Increase
Anyone's Interest in His Daily Work*

B. F. MORROW, M.D.



TO BE truly a hobby, an activity must have the attribute of contrast. It should consist of some activity not in the least related to one's regular occupation. A painter may take up coin collecting as a hobby, but should he decide instead to do some etching, "on the side," he merely extends his efforts along the lines of his regular occupation as an artist, in which case he will be known as a "painter and etcher." Similarly a man may become a "journalist and playwright" or any other similar combination of related activities. This secondary interest or "side line" lacks the element of contrast necessary for a mental or interest balance.

The thoughts related to the hobby activity must not be involved in the other; the sharper the contrast the more intense will be the interest in both.

A hobby must possess the element of audible or visible accomplishment. There must be created or accumulated something that was not previously in the hobbyist's possession. The fisherman may tour the brooks, the rivers, the lakes, and the seas, and yet at the end of it all have nothing to show for his efforts except his fishing equipment. Thus far his efforts are not truly a hobby; they are a recreation. However, should our angler seek various types of fish and preserve them in a collection, there is then the visible accomplishment necessary in a true hobby.

The same thing applies to the man

Hobbies Dr. Morrow classifies as constructive and non-constructive. The constructive avocations he further divides into the "accumulative" (stamps, books, and so on) and the "creative," which the author, an etcher and engraver, exemplifies.

who takes up music as a hobby. Should he merely attend concerts and the opera he will have but added another phase of knowledge to his cultural life—something expected of every person. If, however, he learns to play a musical instrument, or composes music, he obtains an audible accomplishment and hence possesses a true hobby.

A hobby must possess the element of uncertainty; that is, uncertainty of attainment. This uncertainty will be as evident to the experienced as to the beginner. There are constant obstacles

to hurdle, be they physical or mental or a matter of time or means. Usually a final goal is never reached, for that would mark the end of the hobby.

There must also be an endless series of satisfactory accomplishments, each step approaching the unobtainable goal. There must be a constant play between adventure and discovery, between experimentation and achievement. A collector may begin with the stamps of a certain country. Just as soon as he encounters difficulties that may hold up his interest, he whets his appetite or



Enjoyment of music is a hobby for many, whether followed actively in playing some instrument or passively as in "A Modern Opera," by Grant Reynard. (Reproduced through the courtesy of Kennedy & Company.)

marks time by collecting the stamps of another country, but never does he relinquish hope of achieving his original—and uncertain—goal.

A hobby demands more than perfunctory enthusiasm. I would use the word "obsession" were it not certain that I would be misunderstood. One's thoughts do continually revert to one's hobby; often, though, the hobby becomes boring to friends. Yet this keen interest, this strong attraction, this urge to achieve, to create, is necessary to all hobbies that are successful in the sense of personal gratification. Just as soon as enthusiasm wanes, the vital function—the *raison d'être*—of the hobby ceases.

A hobby demands concentration. There is nothing mechanical about the activities of the hobbyist. He must be thoroughly conscious and alert and be able to eliminate from his mind all thought of his regular pursuit. Our insane asylums rarely contain former

hobbyists; this should be the proverbial sufficient word to the wise and serve as an effective argument for those accused by their friends of being "nuts"—humorously or otherwise.

Hobbies, in the generic sense, may be divided into two main classes: constructive and non-constructive. Generally speaking, all hobbies are constructive in the sense of being instructive, for it is difficult to conceive of any sustained activity that does not add experience and build character. Similarly, no hobby is non-constructive in the sense of being destructive, for surely it would have no practitioner for long. Both terms are here employed respectively as being creative and non-creative, which, according to our definition, depends on the production of a concrete accomplishment.

The non-constructive group is subdivided into hobbies that are educational and those that are recreational. As the reader will now understand, no

activity in either of these subdivisions is a true hobby, and some of them are often confused with what are really habits. A man may have a habit, not a hobby, of feeding the birds in the park every morning before breakfast, or he may have a habit, not a hobby, of spending a week-end up in the mountains. These are merely routinisms, perhaps temporary diversions of the routine, for the purpose of exercise or relaxation.

In the educational subdivision, the cultural subdivision, we have

the vast number of activities associated with the pursuit of knowledge exclusively. They are loosely called hobbies unless they eventually lead to a creative accomplishment. One may begin the study of English literature as a "hobby," but if he should never write about it (visible accomplishment) or lecture about it (audible accomplishment) he has merely educated himself and enhanced his cultural qualifications. Other examples in this class are regular attendance at art exhibitions, at concerts, at lectures on travel and other subjects, or the reading of certain subject-matter, the study of the sciences, and so on.

In referring to the recreational subdivision, I mean those "hobbies" that are purely recreational. In a sense, all hobbies are recreational in that they are exercised for enjoyment or amusement, for "refreshing the strength and spirit after toil" (Webster's New International). Also, other qualities of

each group overlap qualities of the others so that a sharp classification is rendered difficult. The activity of the amateur hunter is educational as he learns the habits of animals, recreational as he obtains enjoyment and exercise, constructive as he establishes a collection of skins and horns.

The only true hobbies are those of the constructive group. They require concentration of thought, devotion, persistency, individuality, experimentation, and creativeness. These are but characteristics; each hobby possesses others intrinsically its own. There are no half-way measures here, no half-heartedness, no hypocrisy, no insincerity. There must be no loss of hope of achievement, for that would lessen the morale, lessen the interest, and mark the beginning of the end of the hobby. The hobbyist must be in the possession of something that he himself has constructed from what formerly was only an idea.

Every sane person has a fixed interest. Every fixed interest demands a relief, an activity balance, a mental balance, an interest balance—or whatever else one chooses to call it.

It follows, then, that every person automatically drifts into such balance-relief except the insane, the moronic, and the dull. The more active the mind, the greater the need for such counterbalance.

To play and to own are two instincts that are part of every human

being and are manifested almost from birth. The infant with its rattle or the child with its doll is exercising these instincts, which also may be classed as a form of self-expression. That man's soul is dead who does not wish to play or to own.

What for a Hobby?

A man's choice of an outside interest depends a great deal upon his cultural background and it is reasonable to suppose that any activity that requires a sustained interest requires a certain mentality. In other words, the successful practice of a hobby, from the most passively recreational to the most constructive, will depend on a person's mental ability to cope with it.

It could not be expected, for example, that a man of little reading or of little intelligence would adopt a highly scientific subject as a hobby and obtain

a gratifying accomplishment. His inability to understand it would curb any such desire, let alone the unlikelihood of any such thought entering his head. On the other hand, the class of hobby one undertakes may give very little clue to the mental ability of its practitioner. The school boy may be just as good a stamp collector as the highly paid executive, each in proportion to his means, one as enthusiastic as the other. The executive merely has chosen a hobby suitable to his likes regardless of his greater thinking power, experience, and background.

There is no accounting for the choice of a hobby. I have been asked dozens of times why so many doctors take up art as a hobby. I have always answered, "Because that many doctors like art." There is no other reason. So many doctors take up music, so



Then too, sports. Some like their tennis or baseball better sitting down; the more vigorous often see poorer matches but entertain better appetites. "Clean Shot," by Levon West. (Courtesy of Kennedy & Company.)

many doctors take up poetry, so many doctors take up short story writing, and so forth. If they were not doctors they might have been lawyers, business men, stock brokers, or what-not and still adopt the same hobbies.

It is not background that determines the hobby. Curiously enough, neither is it a matter of premeditated decision. One is just drawn into it when the opportunity presents itself.

Anything Goes

I, for example, am what is called a confirmed hobbyist, whatever that implies. I am just as liable to go in for archaeology as for anything else should the opportunity present itself at an opportune moment. About ten years ago some one presented me with a very fine etching. Curiosity made me go to the public library to read on how an etching is made. One book led to another. Before long, without any previous desire for art, I had made my first plate. This was rapidly followed by others. In a few years I began writing on the subject; its history, appreciation, and technique. Then followed a book. Ten years ago I could not describe satisfactorily the difference between an etching and a pen-and-ink sketch. If I had never received that first print, I might have continued along with music, perhaps begun something else.

"Doctor, when do you find time for all this?"

Should I attend the opera regularly, should I attend the movies twice weekly, should I become addicted to frequent sessions of bridge or poker, or should I as a doctor write a book on medicine, no one would ask me this question!

However, should I as a doctor write a book on art, compose an occasional bit of music, etch a few copper plates, collect prints, contribute to an art magazine, all or any of these at no matter what long intervals, every one of my friends and acquaintances, without exception, would ask me the question, "Doctor, when do you find time for

all this?" Some of them would even object to the time "lost" or, at least, reproach me for not doing something more "useful." At any rate, I confronted them with the unexpected, something different from the regular or "normal" activities, which they could "see with their eyes or hear with their ears." That I am in possession of a true hobby is actually implied by the question.

It is not a matter of finding the time. The nice thing about most hobbies is that any time will do. This cannot be said of most of our other activities for, if one thinks of it, there is a definite required time for the opera, a lecture, a card game. It is all a matter of inclination. It is surprising how much "waste" time can be found by a so-called busy person, the amount of time depending on the intensity of the interest. The peculiar part of it is that the keenest hobbyist is usually the man who is otherwise exceedingly busy, yet this is not so strange when we bear in mind that such person is psychologically in need of a hobby as a mental balance.

Not to Forget

I know of many hobbyists who during prosperous (busy) times were very active in their respective hobbies but who became far less so when the depression set in. They had plenty of time, but the inclination was absent. Often enough, mental upsets influence the desire for extraneous activity, despite the impression that one does things to forget something else. One may attempt hobbying to forget but, a hobby requires concentration which is possible only with an untroubled mind. A man with something on his mind prefers a passive diversion such as attendance at the theater.

The man who has too much time may seek what he calls a hobby, but actually, should he find one, he will merely be in the possession of something to do. It cannot serve as a hobby in our sense because it lacks being a contrast to some primary activity of

which, in his case, there is little or none. This so-called hobby takes the place of a vocation, a primary interest, whether it becomes necessary for a livelihood or not. Many a retired merchant seeks an outlet from boredom—a worthy attempt to occupy his mind—but it will not by itself be an activity balance. He will eventually find the time for another pursuit, a contrast, thus possessing two interests. Which will serve as the "relief" will depend on circumstances.

Resistance

Thus far we have considered the opportunity, the time, and the inclination that bring about the adoption of a hobby. Yet, one would quickly lose interest in doing something that anyone else can do or in getting something that anyone else can get. A hobby, therefore, must offer some form of resistance inducive to individual effort. This is necessary to a sustained interest and also to a satisfactory individual accomplishment. The resistance serves as a challenging force, continually urging the hobbyist forward to the uncertain goal already discussed. Naturally this gives rise to an unconscious rivalry between followers of the same hobby.

Each hobby has resistance of one kind or another, weak or strong, and this factor has a decided influence on its choice by the hobbyist. It also influences the form that the hobby eventually takes, depending on the personal reaction of the hobbyist. Likewise, without considering for the moment the financial factor, this resistance reflects or develops certain characteristics of the hobbyist involved. If a hobby demands the application of meticulous care it cannot be expected that one who lacks the required patience can successfully cope with it, unless he tries it and develops such patience. Again, it cannot be expected that a person of phlegmatic tendency, or one who lacks emotional and imaginative qualities, will take up the practice of art as a hobby; he may try

such a pursuit, but he will derive full enjoyment only after the necessary qualities can be developed.

From the standpoint of economics, the amateur-artist or the amateur-craftsman is on the credit side in the long run, for whatever he has created, be it a painting, a vase, a ship's model or anything else, he possesses an object that is either utilitarian or decorative—something that, extrinsically considered, he might have bought had he not made it himself. At the same time he can always use it as a gift acceptable for most occasions, thereby increasing its economic value. Some of our most priceless art objects have been created by amateurs and have been originally distributed in such manner. The presentation of self-created gifts is part of the enjoyment of the hobby, particularly in printmaking where more than one original of the same work of art is possible.

In the enjoyment of a hobby the matter of means is a relative one. The hobbyist soon learns to regulate his course to conform with his resources. He becomes discriminating. He develops patience. He exercises shrewdness. A collector, for example, will acquire his object at the right moment, when everybody else is "asleep" or looking elsewhere; only on exceptional occasions in keen competitive bidding, is he likely to stretch his usual limit for the

sake of acquisition. From the economics of it, the shrewd collector knows that a good collection costs him nothing in the long run, for though his money may be tied up, perhaps temporarily "frozen," the principal is normally safe. In fact a good collection is apt to result in financial profit when eventually sold.

Experience with a hobby, as with anything else, is necessary to overcome resistance with the least effort. I know of one clock collector who occasionally throws back into auction or private sale something that he had picked up very cheaply, in order to help defray the cost of his permanent collection. The joy of obtaining a bargain cannot be minimized; it is unquestionably a part of the hobby as

a whole. For the collector, then, a knowledge of current monetary values is quite essential, yet he never loses sight of the fact that the desire to collect satisfies the desire to own, and that the ideal procedure is to buy "for keeps" what he had originally set out to collect, bargain or no bargain.

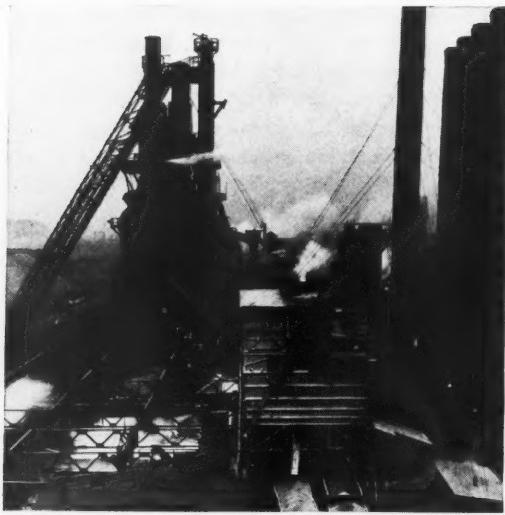
The economics of the non-constructive groups of hobbies entails the acquisition of nothing that is concrete. They are a total loss from the monetary point of view unless the educational or cultural attainment eventually leads to a more remunerative professional status. Nevertheless, these hobbyists are quite content with their gain in knowledge, experience, amusement, and perhaps health, and consider their money well used.

The accumulative instinct needn't be a nuisance—pockets crammed with clippings and pencil stubs. There are also paintings, china, and clocks. "The Picture Buyer," by John Sloan. (Courtesy of Kennedy & Co.)



The Picture Buyer

John Sloan



BLACK STAR

HOW BIG IS BIG BUSINESS?

AN ANALYSIS OF CONFLICTING TESTIMONY

EDWIN B. GEORGE

*Economist
DUN & BRADSTREET, INC.*

MOST business men are bewildered about the new outcry against monopoly and restraint of trade. Whatever may be the structural relationships within their respective industries, they are for the most part mournfully aware of forces preventing them from doing what they would like to do with prices, qualities, production, and profits. The attainment of independence in such matters might be regarded by many as a shorthand definition of monopoly.

As a matter of fact, there is no single complaint against the present structure of business. Current criticism marshals its attack along two fronts, more or less related to each other. The first centers about the decline of competition, the second on the rise of large corporations.

There is an important difference between size and monopoly. Size is

supposed to connote such items as swagger, impersonality, and an ability to win friends and influence people, including legislators. Monopoly has to do with control over economic forces. The two conceptions may interlock and overlap, but may appear quite separately; they are not synonymous. A small company can have more dominance in its frog-pond than the large corporation in its ocean.

Some Evidence

This study is concerned with the problem of size. It trades exclusively in evidence on how much "bigness" has arisen, and not on its arrangement or consequences. It does not argue whether "bigness" is good or bad, but is rather an attempt to summarize for business men some of the principal accumulations of evidence concerning its extent which have helped to

make current opinions what they are.

In a later issue of DUN'S REVIEW the question of the relative growth of large and small enterprises will be examined. The reason for this distinction is that such concepts as "size" can be either static or dynamic. Among the critics, some may be resigned to the existing state of affairs, as long as whatever it is is not getting "worse." Others will be inconsolable over both present and future, and will want to scale down beginning now.

This initial article deals with evidence on size as of the present decade, and on current concentration in the over-all sense.

It is hardly necessary to demonstrate that in America, as in other highly modernized countries, a substantial proportion of industrial wealth lies in the hands of a relatively small number of corporations. The degree of

that concentration, however, is a matter of no small dispute. The same may be said of its significance.

The simple fact of concentration was vividly brought to public attention in the findings of Berle and Means,¹ who pointed out that in 1929 as few as 200 corporations controlled approximately half of America's non-financial corporate assets, approximately 38 per cent of non-financial business wealth, and approximately 22 per cent of national wealth. Somewhat less impressed but still supporting the general theme, the Twentieth Century Fund announced a few years later that in 1933 the 594 largest corporations, or 0.15 of 1 per cent, owned 53.2 per cent of the total assets of all active reporting corporations submitting balance sheets to the Bureau of Internal Revenue.²

Two Measures

All such statistics sound doleful. As a matter of fact, to illustrate the part that psychology can play in such calculations, they can be announced almost light-heartedly. For example, the Twentieth Century Fund report indicates that 80 per cent of all non-governmental economic activity is carried on by the medium-sized or small corporations, by firms which are not incorporated at all or by individuals.³ Similarly, the last Berle and Means' measure can be inverted to read that despite the "acquisitiveness" of our great corporations, as much as 78 per cent of the national wealth is still safely controlled by medium and small corporations, by unincorporated firms, by individuals, or by government units in whose hands the interests of the people are protectively cuddled. Even as to broad conclusions, much depends on which end of the telescope one looks through. And despite the immutability of num-

bers, something will also always depend on the state of mind of the surveyors. We are about to examine notions, therefore, as well as figures.

Industrial preeminence can be computed in terms of at least as wide a variety of concepts of (1) "business" and (2) appropriate "yardsticks" as is suggested by the following list. Many of them are used in the studies examined in this article.

A. Business units with which "giants" should be compared:

1. All corporations
 2. All non-financial corporations
 3. All non-financial, non-railroad, non-utility corporations
 4. All manufacturing corporations
 5. All employers
- B. Measures of size:
1. Total assets
 2. Assets exclusive of investments
 3. Physical assets (lands, buildings, equipment, and inventory)
 4. Capital assets (above, less inventory)
 5. Tangible net worth
 6. Tangible net worth plus bonded indebtedness
 7. Sales
 8. Employees
 9. Value of product
 10. Income

It is distressing to have to add that even this amount of variety vastly oversimplifies the problem. What the statistical expert calls methodology can start private wars within each of these areas. It must always be remembered that the measure to be applied makes a great deal of difference. The use of capital assets or number of employees will establish quite different relative positions for enterprises in the predominantly capital-using industries, such as public utilities, or the predominantly labor-using enterprises, such as chain stores.

Considering its importance, surprisingly little scientific work has been done in the effort to describe size in our economy. However, the few studies which have been made have provoked a storm of critical discussion. To summarize the existing statistical evidence is obviously an accordion-like job. The material here presented from different authors is selected because it seems sufficient both for mass effects and to illustrate the diversity of measuring sticks used.

It is formally acknowledged that in all the references to be cited all the statisticians have added their figures correctly. What they have not done is to get together on the purposes for which they were adding, or on the particular sets of figures which would best satisfy that purpose.

Two preliminary ideas about this controversy, therefore, are already foreshadowed. First, there is no such inconsistency as will appear in many of the bare figures. They can be reconciled as far as statistical accuracy is concerned, or rest on bases that are simply not comparable.

Different figures were chosen by the different authorities both because of different ideas of what was important, and because of limitations in the data available to all of them which compelled a certain amount of statistical acrobatics. Secondly, the use of any single estimate is exceedingly dangerous unless the user has a clear understanding both of the purpose for which that index was compiled and the manner in which it was compiled. Everything depends upon the adaptability of any single system to the problem about which a reader happens to be worrying. Perhaps it should be timidly added that an even greater matter of concern is whether or not he is worrying about the right problem.

Corporate Wealth

One of the most important studies now available is that completed in 1937 by the Twentieth Century Fund and published under the title "Big

¹ Adolf A. Berle and Gardiner C. Means, *The Modern Corporation and Private Property*, The Macmillan Company, 1932, page 32. This volume will hereafter be referred to as Berle and Means.

² Twentieth Century Fund, Inc., *Big Business: Its Growth and Its Place*, 1937, page 54. This volume will hereafter be referred to as Twentieth Century Fund.

³ Twentieth Century Fund, Table 25, page 95.

Business—Its Growth and Its Place."⁴ The Fund drew much of its raw material from the 1933 corporate income tax returns published by the Bureau of Internal Revenue. Its most basic conclusion⁵ from a study of these figures is that the 594 largest corporations in all fields, or 0.15 per cent of "all active reporting corporations submitting balance sheets," owned approximately 53 per cent of total corporate assets in 1933. At the other extreme, 211,586 corporations possessing total assets of less than \$50,000 each, and comprising more than 54 per cent of the total number, owned only 1.4 per cent of the total corporate assets. Nearly 95 per cent of the total number of corporations, continues the Fund report, had total assets of less than \$1 million each and collectively owned less than 15 per cent of the total assets of all corporations.

All Corporations

It must be pointed out, however, that this estimate was made in terms of corporations of all types, including financial institutions such as banks,

bond and underwriting houses, and investment trusts. If only non-financial corporations are considered, the authors found that 375 out of 287,575, or 0.13 per cent, owned 56.2 per cent of the total assets of non-financial corporations.

Berle and Means

Earlier, Berle and Means made their very exhaustive inquiry into the rise of large corporations, the findings from which they incorporated in their book. It became one of the focal points around which discussion swirled. They concluded that 42 railroads, 52 public utilities, and 106 industrials, each with assets of over \$90 million, had combined assets at the beginning of 1930 of \$81 billion. The data were drawn primarily from Moody's railroad, public utility, and industrial manuals and presumably were adjusted to represent the assets of the 200 companies and their subsidiaries, less intercorporate loans and investments. An estimate was then made from income tax figures which placed the assets (exclusive of intercorporate loans and investments) of all non-banking corporations at \$165 billion in 1929. Juxtaposition dutifully disclosed that the 200 biggest companies controlled 49.2 per cent, or nearly half of all non-banking



NOON-HOUR SHOPPERS IN NEW YORK—EWING GALLOWAY

corporate wealth.⁶ This was hailed by many as a call to arms.

Berle and Means went farther and attempted to compare the wealth of these companies with that of all industry (both corporate and non-corporate). On the assumption that at least 78 per cent of American business wealth is corporate wealth, it followed that about 38 per cent or more of all business wealth lay in the maw of the Titans. Estimating from National Industrial Conference Board

⁴ Berle and Means, page 28.

I. SIZE OF CORPORATIONS BY TOTAL ASSETS

(All corporations submitting balance-sheets, 1936; Statistics of Income, U. S. Bureau of Internal Revenue)

Total-Asset Brackets Thousands of dollars	Corporations Number	Total Assets Millions of dollars	Corporations Per Cent	Total Assets Per Cent	Corporations Per Cent	Total Assets Per Cent	DOWNWARD AND UPWARD CUMULATIONS	
							Corporations Per Cent	Corporations Per Cent
160,000 and Over . . .	396	134,389	0.10	44.3	0.10	44.3	100.0	100.0
50,000 to 100,000 . . .	355	24,295	0.09	8.0	0.19	52.3	99.9	55.7
10,000 to 50,000 . . .	2,311	47,406	0.6	15.7	0.8	68.0	99.8	47.7
5,000 to 10,000 . . .	2,719	18,967	0.7	6.3	1.5	74.3	99.2	32.0
1,000 to 5,000 . . .	18,277	37,955	4.4	12.5	5.9	86.8	98.5	25.7
500 to 1,000 . . .	17,941	12,560	4.3	4.1	10.2	90.9	94.1	13.2
250 to 500 . . .	28,342	9,995	6.8	3.3	17.0	94.2	89.8	9.1
100 to 250 . . .	58,442	9,229	14.1	3.0	31.1	97.2	83.0	5.8
50 to 100 . . .	59,528	4,233	14.3	1.4	45.4	98.6	68.9	2.8
Under 50 . . .	227,343	4,151	54.6	1.4	100.0	100.0	54.6	1.4
Total	415,654	303,180	100.0	100.0				

II. SIZE OF NON-FINANCIAL CORPORATIONS BY TOTAL ASSETS

(Cumulative group percentages; all non-financial corporations submitting balance-sheets, 1936; Statistics of Income, U. S. Bureau of Internal Revenue)

CUMULATIVE STARTING WITH LARGEST			CUMULATIVE STARTING WITH SMALLEST		
Total Assets Thousands of dollars	Corpora- tions Per Cent	Total Assets Per Cent	Total Assets Thousands of dollars	Corpora- tions Per Cent	Total Assets Per Cent
Over 100,000...	0.06	38.1	Under 50...	59.5	2.1
Over 50,000...	0.13	46.9	Under 100...	73.6	4.1
Over 10,000...	0.5	63.2	Under 250...	86.5	8.2
Over 5,000...	1.0	69.6	Under 500...	92.3	12.3
Over 1,000...	4.2	82.9	Under 1,000...	95.8	17.1
Over 500...	7.7	87.7	Under 5,000...	99.0	30.4
Over 250...	13.5	91.8	Under 10,000...	99.5	36.8
Over 100...	26.4	95.9	Under 50,000...	99.9	53.1
Over 50...	40.5	97.9	Under 100,000...	99.9	61.9
All.....	100.0	100.0	All.....	100.0	100.0

figures that the national wealth at the end of 1929 amounted to about \$367 billion, it was finally computed that this group of 200 corporations controlled 22 per cent of the entire national wealth.⁷ One of the distinctions between national and industrial wealth lay, of course, in the fact that the former included such major items as agricultural lands and improvements, residential real estate, personal property (including automobiles), and a large volume of governmental property.

Compilations of both the Twentieth Century Fund and Berle and Means were made in terms of gross or total assets. With data newly made available by the Treasury, the Twentieth Century Fund was able to go a step further and measure the relative magnitude of the plant of large and small corporations by comparing their fixed capital assets such as lands, buildings, and equipment. The results were quite similar. Instead of the 53.2 per cent of total corporate assets owned by the concerns possessing assets in excess of \$50 million, the percentage of capital assets possessed by those same concerns was 55 per cent. Incidentally, the proportions of total assets and capital assets owned by concerns

rated at under \$50,000 were identical at 1.4 per cent.⁸

Internal Revenue Bureau statistics carry their own unconscious message on the extent of existing concentration. This is the source to which the President customarily turns for evidence in support of his homilies on monopoly. In his recommendation to Congress for an official inquiry,⁹ he cited 1935 statistics from this source to the effect that "of all corporations reporting, one-tenth of one per cent of

⁷ Twentieth Century Fund, page 65.

⁸ Message to Congress, April 29, 1938, as reported in *The New York Times*, April 30, 1938.

them owned 52 per cent of the assets of all of them; and less than 5 per cent of them owned 87 per cent of all the assets of all of them."

The previously quoted findings of the Twentieth Century Fund were based on official *Statistics of Income for 1933*. A series of tables has therefore been drawn up to show the situation as of the most recent date available, insofar as it can be reflected at all by this particular type of evidence. The latest figures of this character, as compiled and released last month by the Treasury Department, are those on "all corporations" for 1936. These data are presented in table I for the purpose of showing the proportion of total corporate assets owned (and to some small extent controlled¹⁰) by the several size-groups, both individually and accumulatively.

Following the favorite method of some of the outstanding analysts, table II presents cumulative percentages for all non-financial corporations. Bigness is relatively pronounced in the financial field, but duplications are entailed to the extent that the assets of financial corporations are in large part invested in or loaned to the non-financial corporations. (See also the chart on page 22.)

¹⁰ Consolidated reports were accepted in 1936 only from railroad corporations.

III. SIZE OF MANUFACTURING CORPORATIONS BY TOTAL ASSETS

(Cumulative group percentages; all manufacturing corporations submitting balance-sheets, 1936; Statistics of Income, U. S. Bureau of Internal Revenue)

CUMULATIVE STARTING WITH LARGEST			CUMULATIVE STARTING WITH SMALLEST		
Total Assets Thousands of dollars	Corpora- tions Per Cent	Total Assets Per Cent	Total Assets Thousands of dollars	Corpora- tions Per Cent	Total Assets Per Cent
Over 100,000...	0.08	32.0	Under 50...	50.5	1.5
Over 50,000...	0.16	39.5	Under 100...	65.1	3.1
Over 10,000...	0.8	58.9	Under 250...	80.6	7.0
Over 5,000...	1.5	66.9	Under 500...	88.5	11.4
Over 1,000...	6.4	83.0	Under 1,000...	93.6	17.0
Over 500...	11.5	88.6	Under 5,000...	98.5	33.1
Over 250...	19.4	93.0	Under 10,000...	99.2	41.1
Over 100...	34.9	96.9	Under 50,000...	99.8	60.5
Over 50...	49.5	98.5	Under 100,000...	99.9	68.0
All.....	100.0	100.0	All.....	100.0	100.0

⁷ Berle and Means, page 31.

Table III concentrates on manufacturing corporations, for the reason that interest in "size" developments in that quarter is particularly lively.

The data in tables II and III have not yet, as this is being written, been released by the Treasury Department. However, that Department generously computed the percentage figures shown in the tables and supplied them to Dun's REVIEW without disclosing the actual figures behind them.

Naturally these figures on concentration within the corporate field must be used warily. In fact, they can be read both to overstate and to underestimate the actual facts. One reason for this contradiction, particularly if reliance is placed on published *Statistics of Income* figures, is found in the vagaries of successive tax laws. In 1933 the submittal of consolidated reports was optional, although individual businesses were regarded as controlled by others only if they were owned to the extent of 95 per cent or more by such "others." Some of those that chose not to file consolidated reports there-

fore, and those that were prevented from doing so by the rule, would fail to stand up and be counted in the ranks of the mighty where they might very well belong.

The distinction is obviously a confusing one, for while the equity in them must usually appear in the assets of the parent companies, it fails there fully to represent the authority it carries as to decision-making in the subsidiaries. By 1934 this type of omission had been further exaggerated by the ruling that no consolidated reports would be received except from railroads. Conclusions reached from both sets of figures, therefore, would in some vague degree be understatements from the standpoint of actual control—those for 1936 more so than those reported in 1933.

A still more upsetting factor emerges from the use of corporation figures for this purpose at all. A large part of American economic activity has not yet become legally incarnate, in spite of the \$100,000,000 corporate personalities that enrage critics of legal

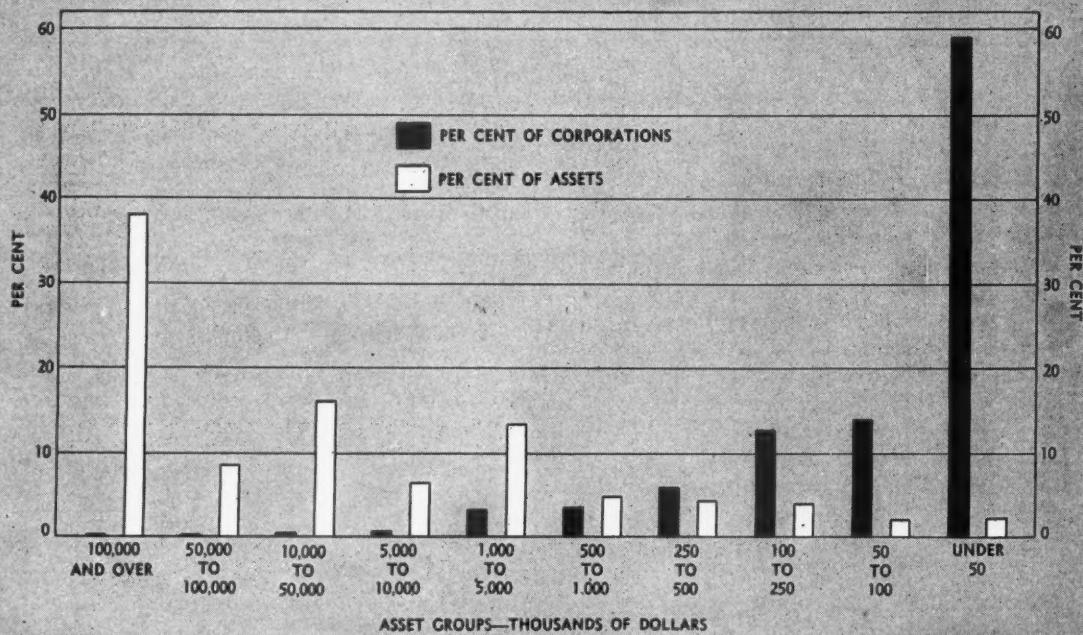
formalism. It has been estimated in one of the Twentieth Century Fund studies¹¹ that in all branches of economic activity combined, including government, the corporate share in 1929 was only approximately 57 per cent; excluding government, nearly 62 per cent. Testimony from the records of the Bureau of Foreign and Domestic Commerce was offered to the Temporary National Economic Committee last December¹² to the effect that while virtually 100 per cent of electric light and power, manufactured gas, and communication output is attributable to corporations, there still lies outside the fold at least 4 per cent of the volume of mining activity, 8 per cent of manufacturing, 64 per cent of construction, 42 per cent of trade, 70 per cent of service, and 93 per cent of agriculture. The over-all average placed between 60 per cent and 65 per cent of national activity in corporate hands, depending on the inclusion of governmental operations.

¹¹ Twentieth Century Fund, page 1.

¹² Willard L. Thorp, December 2, 1938.

SIZE OF NON-FINANCIAL CORPORATIONS BY TOTAL ASSETS

(Group percentages; all non-financial corporations submitting balance sheets, 1936; *Statistics of Income, U. S. Bureau of Internal Revenue*.)



From the standpoint of actual importance, therefore, all corporation figures must be accompanied by mental reservations respecting the amount of business they do not affect. As already noted, the principal authorities have been careful to look at the question from both angles. One of the few respects in which assumption may be pardonable is that unincorporated enterprises are apt to do a smaller business on the average than those operating under charter.

A curious contradiction can be made to appear between the alternative ways in which the effects of this additional factor can be stated. The numbers of those engaged at petty levels of activity soar with much more serious restraint than the population birth rate. As this happens, the percentage that the mastodons constitute of the total number of enterprises declines more rapidly than the percentage of total business that they control. Naturally most of the new investments are small. This means that the more hats that are thrown in the ring the more awful the tyranny of the big corporations appears, even should they be able to prove that they were asleep when the crime was committed. Still more sadly, if our cherished ideal of freedom of opportunity remains intact and effective to the point of bringing about an increase in the total number of manufacturers, those already at the top would automatically become guilty of controlling a still more disproportionate share of the available manufacturing assets.

By Net Worth

DUN & BRADSTREET records also contribute to the picture of size concentration. In his book,¹³ Roy Foulke reported that on July 1, 1934, there were 1,973,900 active industrial and commercial concerns in the United States. About 22 per cent had a tangible net worth of \$10,000 or more, approximately 7 per cent at least



THE FORGE SHOP, EAST PITTSBURGH WORKS, WESTINGHOUSE ELECTRIC & MFG. CO.—EWING GALLOWAY PHOTO

\$75,000, and 2.5 per cent greater than \$500,000. "It is evident," remarked Foulke on the basis of the extensive data before him, "that the greater part of the capital investment, sales, profits or losses, taxes, and employees, are concentrated with a moderate number of large corporations which comprise a very small percentage of all business units."

By Wage Earners

Efforts have also been made to estimate the degree of industrial concentration in terms of wage earners by businesses and by establishments. The principal figures used for this purpose prior to the advent of Social Security have been drawn from the *Census of Manufactures* and different writers have assembled them at different times in the eternal quest for data on this issue. The difficulty is that the census data are almost entirely by plants rather than by ownership, whereas the quarrel of most of the reformers is not with plant size but with concentrated ownership.

However, some aggregate computations have been attempted. The Census Bureau made special tabulations for the Twentieth Century Fund study on 82 manufacturing industries in which establishments under the

same ownership were grouped together. These figures were for 1933. For this group as a whole, the total of the six or eight largest in each industry, amounting to 512 in all (although obviously not the 512 largest) or 1.6 per cent of the total of 32,445, employed 37.5 per cent of the wage earners. The average number employed by each of these mammoths was 2,579 as against 69 wage earners average for the remainder.¹⁴ The Twentieth Century Fund analysts acknowledge the existence in these figures of a bias in the direction of higher concentration due to the deliberate inclusion of certain high concentration industries and to the deliberate exclusion of certain low concentration industries.

The Federal Social Security Act has provided a statistical by-product in the form of wage and employee data about most business employers. From these data it is possible to measure size in terms of employees with more complete and accurate coverage than with the customary census figures.

The chart on page 25 and table IV present the Social Security Board data for the last half of 1937 in terms of the proportion of the nation's employees working for concerns of different sizes.

¹³ Roy A. Foulke, *Behind the Scenes of Business*, DUN & BRADSTREET, INC., 1937, pages 25, 26.

¹⁴ Twentieth Century Fund, pages 42-45.

These figures cover 1,730,000-odd employers—corporations, partnerships, and individual proprietorships—in all forms of business activity except railroading and agriculture. They do not include domestic servants or employees of non-profit public service organizations (schools, hospitals, etc.). Neither do they include enterprises so

small or so inactive that no workers are employed.¹⁵ Finally, the author was informed by a staff expert of the

¹⁵ The figures are somewhat inflated due to a certain amount of overlapping in the reports of different employers resulting from labor turnover. A person who was employed by more than one concern during the six-month period would appear as an employee of each of them. Similarly, a concern which normally employed three workers and during the period discharged one and replaced him with another would be listed as having four employees. Presumably this "padding" extends fairly uniformly through all the size brackets and therefore does not seriously affect the comparisons.

Social Security Board that very few of the corporations were consolidated.

The estimates so far presented have been prepared by reputable statisticians. Yet none of them are directly comparable, although most of the conflicts arising within any one statistical family (e.g., *Statistics of Income*) can be reconciled technically. All of

IV. SIZE OF CONCERN BY NUMBER OF EMPLOYEES

(Cumulative group percentages; concerns reporting wages taxable under old-age insurance provisions.
July-December, 1937; Social Security Board)

CUMULATIVE STARTING WITH LARGEST			CUMULATIVE STARTING WITH SMALLEST		
Employee Brackets ¹ Number	Employers Per Cent	Employees Per Cent	Employee Brackets ¹ Number	Employers Per Cent	Employees Per Cent
10,000 and over	0.011	12.5	One employee	25.3	1.0
9,000 and over	0.012	13.0	Less than 3	40.4	2.5
8,000 and over	0.014	13.5	Less than 4	50.7	4.0
7,000 and over	0.017	14.5	Less than 5	57.9	5.5
6,000 and over	0.020	15.5	Less than 6	63.4	6.5
5,000 and over	0.025	16.5	Less than 7	67.7	8.0
4,000 and over	0.033	18.5	Less than 8	71.2	9.0
3,000 and over	0.05	20.5	Less than 9	74.0	10.0
2,000 and over	0.08	24.5	Less than 10	76.2	11.0
1,000 and over	0.21	32.0	Less than 20	86.8	17.5
900 and over	0.24	33.5	Less than 30	90.8	22.0
800 and over	0.27	35.0	Less than 40	93.0	25.5
700 and over	0.32	36.5	Less than 50	94.4	28.5
600 and over	0.38	38.5	Less than 60	95.3	31.0
500 and over	0.48	40.5	Less than 70	96.0	33.0
400 and over	0.62	43.5	Less than 80	96.5	34.5
300 and over	0.86	47.5	Less than 90	96.9	36.0
200 and over	1.35	53.0	Less than 100	97.20	37.5
100 and over	2.80	62.5	Less than 200	98.65	47.0
90 and over	3.1	64.0	Less than 300	99.14	52.5
80 and over	3.5	65.5	Less than 400	99.38	56.5
70 and over	4.0	67.0	Less than 500	99.52	59.5
60 and over	4.7	69.0	Less than 600	99.62	61.5
50 and over	5.6	71.5	Less than 700	99.68	63.5
40 and over	7.0	74.5	Less than 800	99.73	65.0
30 and over	9.2	78.0	Less than 900	99.76	66.5
20 and over	13.2	82.5	Less than 1,000	99.79	68.0
10 and over	23.8	89.0	Less than 2,000	99.92	75.5
9 and over	26.0	90.0	Less than 3,000	99.95	79.5
8 and over	28.8	91.0	Less than 4,000	99.967	81.5
7 and over	32.3	92.0	Less than 5,000	99.975	83.5
6 and over	36.6	93.5	Less than 6,000	99.980	84.5
5 and over	42.1	94.5	Less than 7,000	99.983	85.5
4 and over	49.3	96.0	Less than 8,000	99.986	86.5
3 and over	59.6	97.5	Less than 9,000	99.988	87.0
2 and over	74.7	99.0	Less than 10,000	99.989	87.5
All Concerns	100.0	100.0	All Concerns	100.00	100.0

¹ Concerns with no employees are not included; thus "less than 10" means 1 to 9 inclusive.

² Values in these columns have been rounded to the nearest one-half per cent.

them were partially predetermined by the selection of a concept, which must be judged as a concept before a judgment on the conclusions can mean anything. As they stand they are merely different measures of different things. In later paragraphs the significance of the different choices made by these various experts among the available concepts and statistical methods will be examined.

The time has now come to say, however, that many of the goods offered to the public in this category belong only in a curiosity shop if they are to be sold at retail at all. Their only safe use is as raw material for exceedingly careful workers. The only importance in the distinctions between them—and in a limited sense this may be said of the expert compilations as well—is that different people are likely to imply of any of them that here is an adequate picture

of America. The true extent of the perils that lie in wait for the unwary, however, is suggested by such synthetic tables as table V, on page 26.

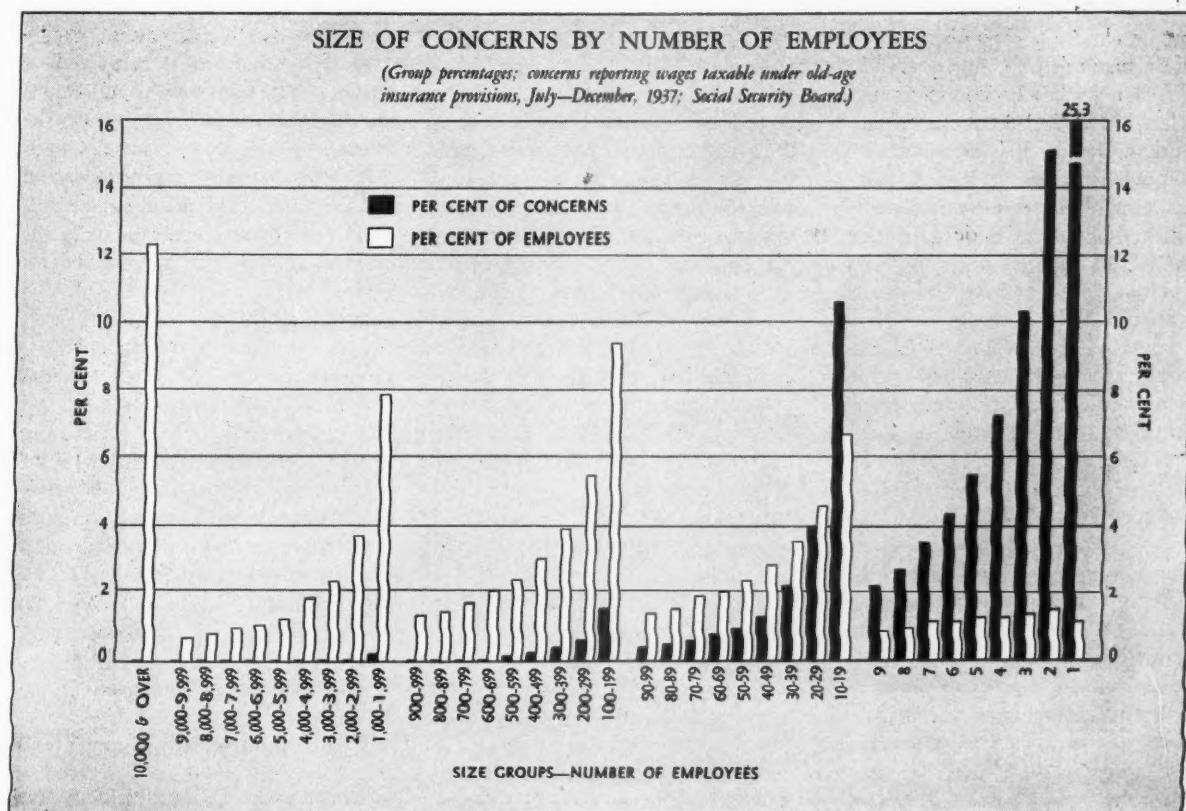
Conflicts

The closer the approach to absolute concentration in the columns of table V, the more irresponsible do the figures become. For what they represent, the proportions are probably reasonable enough. As to detail, however, the conflicts are spectacular. One-tenth per cent of all corporations control 44 per cent of all corporate assets, but one-tenth per cent of the employers under Social Security account for only 25 per cent of employees, as computed from the basic data. In this enchanted realm of size computing, it seems to require almost ten times as many concerns to hire half the employees as to control half the assets. A quick run from column

to column picks up any number of interesting inferences, and the only disappointing feature is that probably none of them is true. Perhaps the soundest thing about them is their warning that size estimates are fit for consumption only after prayerful consideration of their bases and the specific purposes to which they are to be put. Descriptions of the bases in this case have already been made, are repeated briefly as footnotes to table V, and should be re-examined if any conclusions are contemplated.

So far, size computing at the casual level and some distance above is a sport rather than a science. The President said in his "Monopoly Message" that one-tenth of one per cent owned 52 per cent.¹⁶ This estimate was based on the 1935 *Statistics of Income*. It can be computed from the same reputable source, however, that one-fifth of

¹⁶ See footnote 9.



one per cent is required for this prodigious feat. A stupendous difference of 100 per cent appears that, ridiculously enough, is unimportant. By either measure the concentration is obvious. The first method presumably included inactive corporations and those not submitting balance sheets, but not their assets, which were probably small. The result is actually 0.14 per cent which can justifiably enough be rounded to one-tenth of one per cent. The second method, excluding these items from both numerator and denominator, yielded 0.18 per cent, and it was naturally called one-fifth of one per cent. Playing the small end of the scale is perilous in any event. The result can be influenced as much by the initiative of Americans in going into business as by that of the big in getting bigger.

Again, as has been said, even the refined statistical jobs can be easily misinterpreted. It is now not an uncommon idea about bigness that 50 per cent of the country is owned by 200 corporations. Berle and Means never said that, did not imply it, and did not wish anything like it to be inferred. They specifically pointed out that only 38 per cent of business wealth was controlled by 200 corporations, and only 22 per cent of national wealth. Among other details the term used was "controlled," not "owned." In fact, there might be found from the records on which this very study was based a cause for exultation that outside of railroads and utilities, which for special reasons the country desired to be quasi-monopolistic, the wicked big-wigs had not succeeded in getting much more than one-fifth of the remaining business wealth within their clutches, and that much of this was necessary for mass production purposes.

Each measure, therefore, whether of impressive or slight authenticity, has to be examined in terms of some carefully defined idea, so that speculative citizens may have material for rational judgment before they place their bets.

conclusion are therefore presented in the following paragraphs.

The stormiest objection, on which a great many of the critics were agreed, was that the study should not have been based upon an undifferentiated mixture of railroads, public utilities, traction companies, and competitive industries. Perhaps insufficient credit is given for the fact that the authors did exclude financial institutions. Their presence might have raised the concentration level if railroads and utilities were excluded, although, oddly enough, might have lowered it with the latter retained, as was the case with Berle and Means' work. The reason for this possible paradox is that the degree of dominance of the railroad and utility fields by huge concerns dwarfs all such achievements in the other main categories of

activity. The admission of any figure less than themselves helps to lower the average.

It should be recognized at the outset that the propriety of including railroads or utilities or any other industry depends largely upon the purpose in view. If one defines his problem as that of determining the growth of concentration in those parts of our economy not properly subject to governmental control, such industries may not belong. It is equally clear, however, that from many standpoints the enormous amounts of capital that have come under more or less centralized control pose serious problems in public policy. Socially they are important because they tend still further to cramp the sentimental area of individual opportunity. Economically, because the empires reared upon them have contributed an undue share of personal colossi of the type who individually and collectively are periodically accused of dominating our economic life. Finan-

V. CONCENTRATION INDEXES

(Assets: U. S. Bureau of Internal Revenue; employees: Social Security Board)

COMPANIES ¹	ASSETS			EMPLOYEES
	All Corporations	All Non-Financial Corporations	All Manufacturing Corporations	
Per Cent	Per Cent	Per Cent	Per Cent	Per Cent
1/10	44	44	34	25
1	70	70	63	49
5	85	84	80	70
10	91	90	87	79
25	96	96	95	89
50	99	99	99	96

¹ U. S. Bureau of Internal Revenue data are for 1936, cover only corporations, are unconsolidated except for railroads; Social Security Board data are for the last six months of 1937, cover all corporations, partnerships, and individual proprietorships (largely unconsolidated) under the Social Security Act.

It has already been remarked that there is no unanimity in the craft on the extent to which American productive wealth has fallen or been lured into the power of "a few arrogant corporations." Retaliatory fire is therefore provoked by every attempted demonstration that such is the case. Have any of the statistical bullets found their mark and if so what kind of a dent have they made?

One illustration of attack and defense in this central battleground can be found in the criticisms aimed at the Berle and Means, and Twentieth Century studies. Out of the criticisms will also emerge new measures deserving attention in their own right.

The Berle and Means' pioneering effort attracted wide public attention and has been used, perhaps even beyond the intentions of the authors, as the principal battering ram in many assaults on modern business organization and functioning. Some of the principal objections to method and

cially, because of the extraordinary extent to which their basic assets have been spun into webs of profiteering and exploitation having no relation to operating needs or economies. The answer obviously depends upon the questions to be asked.

Special Laws

Should the danger of unregulated monopoly be the basis of judgment, the fact becomes strategic that neither of these industries is expected to fall within the Elysian field of free and unrestrained competition, and by the same token neither is a part of the anti-trust problem. There are special Federal and State laws purporting to regulate both of them and whatever fault is to be found with their modern development must be charged largely to the character and administration of those special laws rather than to deficiencies in the anti-trust laws.

The point involved in many of the criticisms of Berle and Means is that successive administrations have made extraordinary efforts to consolidate the railroads and that both railroads and utilities are monopolistic by nature and legal sanction. The point is not an unqualified one. In the case of utilities

there was an unquestioned willingness to grant exclusive franchises by areas, but no one asked them to rear themselves into strong man acts with each member of the troupe hanging to his support by a fingernail. Undoubtedly some of these mergers, integrations, consolidations, and even pyramids have been in the interest of operating efficiency. A great many of them have with equal certainty provided revolting examples of financial manipulation and market rigging. The division between these two classes would be a separate study.

The challenge of the propriety of including railroads and utilities suggests an inquiry into the changes that would take place in the "bigness" picture if these great industries were left out.

Professor Crum of Harvard was among those greatly exercised by the inclusion of railroads and utilities, and out of his own exceptional familiarity with both public and private data on corporations he tried to measure the distortions that he believed they contributed to the general perspective.¹⁷

¹⁷ W. L. Crum, "On the Alleged Concentration of Economic Power," *The American Economic Review*, Volume XXIV, No. 1 (March, 1934), pages 69-83.

First he did the simple arithmetic necessary to segregate the gross assets of public utilities, railroads, and traction companies in Dr. Means' list of the 200 largest. He got as a total for these three groups the sum of \$50.7 billion. As gross assets in the total list had aggregated only \$81.1 billion it is immediately apparent that utility, rail, and traction corporations comprised more than half of the total, leaving only \$30.4 billion to be charged to general trade and industrial corporations.

As a ratio of total assets of all non-financial corporations this \$30.4 billion of assets belonging to the remaining 106 concerns would constitute only 18.4 per cent instead of 49.2 per cent.

Crum's Calculations

That figure is not very meaningful, however, as then the denominator but not the numerator would include the excepted industries. The obvious question then arises as to the percentage of the total industrial corporate wealth controlled by the 106 large industrials in Means' list of 200 giants. This required somewhat more complicated calculations, which were made by Professor Crum for the year 1929. He arrived at a rough estimate of \$100.9



billion for the total assets of all corporations other than financial and public utility (including railroad) companies. Dividing this figure into the \$30.4 billion given above for the stated gross assets of the 106 largest industrials yielded a ratio of 30.1 per cent as the share controlled by them in 1929. This is to be compared with the ratio of 49.2 per cent used by Berle and Means as representative of the control of American corporate wealth by the 200 largest corporations.

If this \$30.4 billion is computed as a share of all business wealth, on the premise that about 74 per cent¹⁸ of the latter is corporately organized, the vital ratio fades to a comparatively unexciting level somewhere in the neighborhood of 22 per cent (not to be confused with Berle and Means' 22 per cent of national wealth controlled by the 200 largest). One of the weaknesses in this concept is that "business wealth" would presumably include those assets which are employed in agriculture, service, and miscellaneous activities. A more satisfactory approach might be to make the same computation in terms of manufacturing. Table III showed manufacturing corporations with total assets of over \$50 million, or 0.16 per cent of the total number of manufacturing corporations, to have 39.5 per cent of the total corporate assets devoted to manufacturing. (The error from lack of consolidation is disregarded for the purpose of this crude estimate.) From testimony filed with the Temporary National Economic Committee,¹⁹ it is learned that 92 per cent of manufacturing activity is incorporated. The assumption is made for the present purpose that assets follow much the same proportions. Consequently, the share of total manufacturing activity or assets possessed by the group of large corporations indicated would seem to be around 36 per cent. It will be recalled

¹⁸ Dr. Means estimated roughly that at least 78 per cent of business wealth was corporate wealth. Applying this ratio to asset figures from the 1935 *Statistics of Income*, with appropriate weights, yields an equally rough estimate of 74 per cent for the part of business wealth exclusive of railroads and public utilities that is under corporate charter.

¹⁹ See footnote 12.

that this group was made up of unconsolidated corporations with assets of \$50 million or more in 1936, while Berle and Means' group comprised consolidated corporations with assets of \$90 million or more in 1929.

With respect to railroads and utilities, therefore, the criticism has been raised that the Berle and Means' computations gave us a still-life picture of corporate domination but made a discriminating approach more difficult because of the subordination of practical distinctions to spectacular mass impressions. Political and popular conceptions have been built up which actually hinder rational treatment of the problem even though they do correctly assert its existence.

Dr. Means' answer to this type of criticism is that his effort and that of the co-author was to show the importance of the big corporations in relation to the whole of the American economy, and not their importance in that part of the whole economy which is presumed to be controlled by the free market.

Gross Assets

The Berle and Means' conclusion that 22 per cent of the national wealth is controlled by their 200 corporations is challenged by Roy Foulke, Manager of the Analytical Division of DUN & BRADSTREET.²⁰ The item "gross assets," he points out, which is used to measure the "wealth" of the 200 corporations includes certain values which are not included in national wealth,²¹ such as receivables and similar short-term liabilities, intangibles, and treasury stock, not to mention deficits.²² Gross assets are highly variable and a concern with

²⁰ *Behind the Scenes of Business*, pages 27-30.

²¹ National wealth is usually estimated in terms of property valuations and is not an operating concept.

²² A more extensive list of the types of common or random items found among the assets in balance sheets but which are strangers to "national wealth" would include the following: cash; receivables (accounts receivable for merchandise sales, notes receivable, trade acceptances, loans to officers and employees, dividends receivable); intangibles (good-will, patents, leaseholds, treasury stock, organization expenses); prepaid expenses (unexpired insurance, prepaid interest, and prepaid rent); claims for refund of taxes; cash surrender value of life insurance; mortgages; bonds (corporate or governmental); investments in foreign countries (as branch plants, mines, and plantations).

a tangible net worth of \$50 million for two successive years might have gross assets of \$60 million one year and \$120 million the next. Furthermore, while gross assets would normally expand as liabilities expanded, the degree and sureness of control in the autocratic sense of the word would be something very much less than absolute or even proportional. Therefore, the result of comparing the gross assets of the 200 corporations with the national wealth is to overstate the proportion controlled by the 200.

For instance, Mr. Foulke found: \$54,099,430 for good-will, brands, etc., on the books of the American Tobacco Company; \$120,609,901 for good-will, patents, treasury stock, etc., on the books of the General Motors Corporation; and \$58,925,372 for good-will, patents, etc., on the books of the United States Rubber Company. Intangible assets such as these are not included in the national wealth and should not be regarded as wealth in the case of the large corporations.

The item "gross assets" is inflated by currently outstanding credit sales and other transactions giving rise to short-term borrowings. "When one corporation," writes Mr. Foulke, "sells merchandise to another on customary credit terms, an asset representing the sale appears as a receivable in the balance sheet of the seller and as merchandise in the balance sheet of the buyer. The receivable in the case of the seller enters into the total assets, and so likewise does the merchandise in the case of the buyer. . . . The monetary value of the same transaction appears twice in the grand total of gross assets."

It might be added in passing that cash is another item appearing in gross assets which is not a part of national wealth except to the extent that it is backed by metal. The proper treatment of intercorporate obligations and investments also offers serious problems, but that Tartar need not be drawn at this particular point.

National wealth is by definition prohibited from sprouting any of these

duplications, which seems to constitute something like unfair statistical competition.

Mr. Foulke's own preference would be to have the tangible net worth²³ of the 200 corporations compared with the national wealth, since the former value, being "the one and only figure which represents the exact measurable wealth of a corporation . . . allows no room for a misleading inflated total."

Mr. Foulke went back to the original source used by Berle and Means and recomputed the problem in terms of tangible net worth

for the 104 industrial corporations out of the 106 in Means' list for which detailed balance sheets were available. This research produced a figure of a little over \$21.3 billion as against \$29.2 billion arrived at by Dr. Means. He then experimentally added outstanding long-term liabilities, mortgages, bonds, debentures, and serial notes as capital for the purpose in hand, and upped his original figure by something over \$3 billion. This figure would be labelled as "employed tangible capital including long-term liabilities" and is 15.6 per cent below the gross asset total for the same 104 industrials imputed by Dr. Means. The figure representing tangible net worth alone is 26.9 per cent smaller than the industrial gross assets figure derived from Dr. Means' data. Since this is true of the industrials, "it would appear that the 200 largest non-financial corporations actually represented and even 'controlled' somewhat less than 22 per cent of the total wealth of the country."

In a letter to the author, Dr. Means agreed with this conclusion. He wrote: "The ideal figure for the large corpora-

tion to be compared to total national wealth would be one which included only the value of land, buildings, and equipment (after depreciation and depletion), and the value of inventories. This would make the figure directly comparable with that of national wealth. Such a figure should, however, include the physical assets of legally controlled subsidiaries as well as those of parent companies. No such figures were available when the Berle and Means' estimates were made. While the compiled figure was given as 22 per cent, it was indicated that the true figure probably lay between 15 and 25 per cent, thus suggesting, perhaps too inconspicuously, that the 22 per cent figure erred in the direction of being an overestimate."

Assets and Net Worth

It seems fairly evident that Means' preference for physical assets for this purpose would win general acceptance. And in actual practice the tangible net worth of industrials is generally found to be somewhat less than the actual total of lands, buildings, equipment, and inventories. In the case of railroads and utilities funded liabilities would have to be added to tangible net worth to approximate the value of

actual physical assets.

Foulke's emphasis on "industrials" is in line with beliefs expressed elsewhere that the special character of railroads and utilities in particular puts them in a class apart for the ordinary purposes contemplated in appraisals of "concentration." Naturally, so different an approach will yield a widely different impression. Of interest for its own sake, his total of \$21.3 billion would constitute 5.8 per cent of the \$367 billion of national wealth of which Means estimated the total assets of the entire 200 to constitute 22 per cent. Ad-

dition of the two missing industrials would probably raise this ratio but slightly and, even with the addition of the long-term liabilities of the 106, the ratio would probably remain under 7 per cent.

Naturally these ratios cannot properly be compared with those of Means, the Twentieth Century Fund, or any other surveyor. All of them are what they are, and one likes them or not, depending on his feeling about the concepts used.

As a matter of fact, Means recognized the possibility of error in including receivables among the gross assets of his 200 corporations for purposes of comparison with the total national wealth, but felt that its magnitude would be rather petty in comparison with the probable error in the estimate of national wealth.²⁴ Mr. Foulke is not so confident that the difference would be slight; he regarded the difference between his \$24 billion of tangible net worth plus long-term liabilities, and Means' \$29 billion of gross assets as largely composed of duplications and intangibles.

Such an apparently clear-cut category as "investments in other corporations" can give rise to a further variety of dis-

²³ The sum of all outstanding preferred stocks (if any) and all outstanding common stocks, surplus, and undivided profits, less any intangible items in the assets, such as good-will, trade-marks, patents, copyrights, leaseholds, mailing lists, treasury stock, organization expenses, and underwriting discounts and expenses.

²⁴ Berle and Means, page 31.

concerting choices. What is their purpose and effect, income or control? How is the vital distinction to be made? What is the significance of each from the standpoint of the already vague "concentration" issue? All but gratuitous is a warning that the final settlement of these questions can make or break many of the delicately constructed claims now current concerning the power of big business in our economic life. In support of this warning the available statistics do not need much refinement. In 1936 "investments other than tax-exempt," according to *Statistics of Income*, amounted to about 28 per cent of the total assets of all corporations—37 per cent for the largest, 4 per cent for the smallest. Even the fact that these figures include the holdings of financial corporations does not greatly lessen their importance. It is not in dispute that the large non-financial corporations are heavier investors than the small.

Investments?

Rufus Tucker, among others, charges that Berle and Means included in the assets of large corporations all their investments—stocks and bonds in other corporations—while excluding the same items from the assets of all corporations. He computed that the sum adopted by Means to represent total assets of all corporations was \$30 billion less than the amount of total assets reported by all corporations on their tax returns and condemns such comparisons as "plainly unsound."²⁵

Means again begs to differ, this time with appropriate indignation. And thereby hangs an important part of this tale of concentration. Obviously this is a serious accusation, and while business is still going to be comfortably big whatever the outcome, the extent of its "bigness" seems to be brought very much into question.

The method followed in putting the two totals on a comparable basis is necessarily involved. Since it was not

²⁵ Rufus S. Tucker, "Increasing Concentration of Business Not Supported by Statistical Evidence," *The Annalist*, July 31, 1936, page 149.

described in Berle and Means' book,²⁶ the author ventures the following explanation, which Dr. Means has approved:

It is important to remember that to measure *control* you must include the gross assets of all controlled subsidiaries.²⁷ In other words you must put the balance sheets of the 200 as nearly as possible on a consolidated basis.

Consolidation

To compare the consolidated assets of the 200 with the assets of "all corporations," the latter must likewise be put as nearly as possible on a consolidated basis. This can be done very roughly by striking out their investments in each other's securities, that is, by deducting from their gross assets the item of taxable (*i.e.*, non-government) investments.

The statements of the 200 were originally available, however, on a partly consolidated basis. The controlled assets of unconsolidated subsidiaries are represented only by the parent companies' investments in their securities.

Thus certain adjustments must be made to put them on a comparable basis with "all corporations." In one way the gross assets of the 200 are understated. The investment on the books of the parent companies in controlled but unconsolidated subsidiaries is not so great as the "controlled" total assets of those subsidiaries. Thus the assets controlled by the 200 are understated by the amount that the total assets of controlled subsidiaries exceed the parents' investments in those subsidiaries. The amount of that understatement, whatever it is, should be added to the assets of the 200.

In another way the assets of the 200 are overstated as far as comparability with "all corporations" goes. Since the item "investments in other companies"

has been stricken from the "all corporations" balance sheet, the retention in the assets of the 200 of investments that do not represent control is unfair. The amount of that overstatement, whatever it is, should be deducted from the assets of the 200.

Thus Dr. Means had to adjust his "controlled assets" figure for the 200 both upward and downward. However, if the upward adjustment should prove equal to the downward adjustment, they would wash each other out, and the adjusted figures would be no different from the unadjusted figures. Dr. Means examined many balance sheets and found that, on the whole, that was approximately the case. In the absence of complete data he therefore simplified the whole task by assuming that the investments of the 200 as they stood on the books would be virtually the equivalent of the assets of subsidiaries over 50 per cent owned.

It was not "investments in other corporations," therefore, (runs the general import of this statement) that Means was retaining for the 200 while omitting for all corporations. While Means admits that he literally did what was charged, he argues in effect that it merely looked "unsound" because the upward and downward adjustments happened nearly enough to equal each other to justify using the convenient figure "investments" as it stood. The correctness of the conclusion has to rely on the correctness of the basic assumption—which Means checked by sampling. This is itself an interesting issue, but it is not the one that rightfully startled the critics—namely, the callous strengthening of the dictator corporations by allowing them to retain their investments for the forthcoming statistical struggle, while "all corporations," those white knights of democracy, were brutally stripped of theirs.

It is now the readers' case.

Twentieth Century

It is evident that a head need but be raised in this field for the stone-throwers to take a fresh grip on their

slings. The Twentieth Century Fund in its turn has kept the quarries busy. It escaped some of the shots aimed at Berle and Means by diversifying its approach and breaking down many of its broad figures into industrial divisions. The divergences in concentration that one expects in different fields of enterprise duly appeared and contributed helpfully to the nation's perpetual study of concrete problems and policies touching "size."

The Fund, too, had to wrestle with the vicious problem of what adjustments to make for consolidations, whose extent and nature and place of occurrence were not known. This problem was particularly acute for the Fund for the reason that it relied principally on 1933 *Statistics of Income*, and even in that year the tax laws did not permit consolidated returns save where at least 95 per cent of the stock of subsidiaries was owned by the parents or by 95 per cent controlled subsidiaries. Nor can it be assumed that all of those entitled to file consolidated returns availed themselves of the privilege. The Fund was aware that this aberration threw a blind spot into its findings but nevertheless presented the figures as it found them in the belief that the general proportions emerging as between "large" and "small" would still be valid.

Now Means in his turn dissented strenuously. A lively exchange between him and the Fund's principal authors (Rufus Tucker, Alfred Bernheim, and Margaret Schneider) in the December, 1937, and June, 1938, numbers of the *Journal of the American Statistical Association* left no room for doubt as to the points of disagreement.

Means opened the attack²⁸ by asserting, on the basis of a private sampling study of fully consolidated statements, that "for every dollar of investments other than tax-exempts the sample group of companies controlled appreciably more than a dollar of assets other than investments." Even

assuming that only 50 cents of additional assets was controlled by each dollar of investment, he computed that the Fund's various estimates of concentration should clearly have been higher.²⁹

To this charge of understatement, the Fund analysts retorted that what they had attempted to measure was not control, but ownership, and that while "the income-tax statistics do not show as consolidations all of the corpo-

rations and to underestimate control.

To freshen the fire with a little gunpowder, a semi-official report recently made available to the author is inserted at this point for bystanders' benefit. It was to the effect that 102 of the Fund's 375 non-financial corporations (which were the "giants" reported to own 56.2 per cent of that type of corporate assets) were themselves legally controlled subsidiaries of other giants. This fact, if it is such, does not shake



MAKING FORMS FOR CONCRETE BLOCKS, GRAND COULEE DAM—ATLAS PI

rations that might properly be termed such, they do however show for each controlling company the value of its holdings in other corporations, and that is the proper figure to use when talking of assets owned."³⁰

This explanation Dr. Means did not find satisfactory. He pointed out in effect that concentration figures based on *Statistics of Income*, which are on only a partly consolidated basis, are bound to overstate ownership of cor-

the chosen theoretical ground of either warrior. The Fund would probably still contend that what was owned was owned and what was not was not. Such a discovery would, however, help to keep alive the broad question of what measures of concentration are most appropriate for admission as evidence on the merits of this and that national policy. And as has been emphasized, the two measures being discussed here are but two of many.

It seems, therefore, that the measurement of size requires a delicate touch. There are statistics about size in abundance, but most of them have grown

(Continued on page 53)

²⁸ *Journal of the American Statistical Association*, Volume 32, No. 200, (December, 1937), pages 777-781.

²⁹ By this reasoning the share of the 594 giants, on an all-corporation basis, would have been 56.8 per cent of total assets instead of 53.2 per cent, and 61.6 per cent of "lands, buildings, and equipment" assets instead of 55.1 per cent; the share of the 375 giant non-financial corporations would have been 60.6 per cent of total assets instead of 56.2 per cent.

³⁰ *Journal of the American Statistical Association*, Volume 33, No. 202, (June, 1938), page 407.



EWING GALLOWAY

FAMILY INCOMES— and HOW THEY ARE SPENT

EXPENDITURES FOR FOOD, HOUSE FURNISHINGS, PERSONAL CARE, TOBACCO, CLOTHING, AND AUTOMOBILES BY FAMILIES IN FIVE INCOME GROUPS

DERYL J. CASE

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Division of Marketing and Research
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ANY survey for a single city or group of cities showing the relation of family expenditures to incomes always raises keen interest in marketing circles. When, however, the sample for such a survey is nation-wide and is susceptible of projection to all of the families in the nation—that's news.

Although the National Resources Committee has provided the first authoritative projection of the *income* information* obtained from the Study of Consumer Purchases, these are the first national projections of the *expen-*

diture data from the same study to be published for general distribution. They were prepared by the Division of Marketing and Research of Macfadden Publications, Inc.

This Study of Consumer Purchases has recently been completed by the Federal Government, through several of its agencies. It is the largest and most intensive survey yet made of the incomes and expenditures of American families. The analysis covered a 12-month period in 1935-1936. It gave due representation to various city-size groups and rural areas, as well as to different geographical regions. Nearly

* *Consumer Incomes in the United States*. Superintendent of Documents, Washington, D. C., price: 30 cents.

300,000 families provided data concerning income, occupation, home ownership, rental, and family composition. Some 62,000 families gave detailed information as to how each dollar of income was spent.

The value of the study as a picture of conditions in 1935-1936 is obvious. How far some of the data may have become obsolete since that time is of course impossible to state. Nevertheless, there has been quite understandably an intense interest in the data on the part of those engaged in marketing and advertising.

The purpose of the Macfadden analyses has been promptly to develop and work out these comprehensive data in forms which are of significance and value to manufacturers and their advertising agencies. Thus, these projections anticipate those of the National Resources Committee, which presumably will not be available for some time.

Plans for the Study of Consumer Purchases were developed jointly by the National Resources Committee, the Bureau of Labor Statistics of the Department of Labor, the Bureau of Home Economics of the Department of Agriculture, with the assistance of the Central Statistical Board. The survey was conducted as a WPA project with funds assigned from that source. The thousands of field workers who did the interviewing were, in most cases, taken from WPA rolls, although the actual administration of the study was handled by technical staffs of the Bureau of Labor Statistics and the Bureau of Home Economics. Samples were taken in 51 cities, 140 villages, and farm communities in 66 different counties, and were so arranged that they represented a typical cross-section

of the entire population. To date, the two Bureaus have released voluminous material on income, home ownership, family composition, and occupational classification, and expenditure information on several broad groups of products and services. Complete expenditure data on individual types of products will be issued in the coming months.

The National Resources Committee's *Consumer Incomes in the United States* shows the distribution of the total national income of nearly \$60,000,000,000 during the year studied among our 29,000,000 families and 10,000,000 single individuals. The accompanying table based directly on the NRC report, shows how the 14,160,954 urban non-relief families are distributed by income groups. These families constitute the major profit zone for the manufacturer of any nationally advertised product. The 1935 Census of Distribution shows, for example, that urban places account for 82 per cent of

all retail sales, 82 per cent of all food sales, and so on.

It is at once obvious that to be of greatest value, expenditure figures should be projected on a national basis. Expenditure figures for individual cities or towns are of little value except for local use. City samples do not even reflect a picture of any city's consumption habits except where they are properly projected to the family income distribution. Places of varying size in the several geographic regions again are of significance only when considered in relation to the income composition of all families in the specific region. For a national picture, again, the regions must be assigned their proper weight, not *in toto*, but proportioned by the composition of each.

Urban Market

The advertiser and the marketing man may find in these data a picture of the total urban market, against which they can apply specific data from

their own or other surveys. The breakdowns used here are those most commonly used by business, applying five customary income groupings.

No attempt is made here to interpret the figures. They speak for themselves. After all, their sole purpose is to show the manufacturer in what income strata lies his greatest market potential, to provide him with family consumption data against which he may match related information from his own or other surveys, and to place in his hands a useful tool for planning his sales campaigns.

A condensation of the vast mass of material developed is presented in the accompanying table. More detailed figures, or further information about the method of analysis and projection, are available at Macfadden Publications, Inc.

The Macfadden projections for various broad classifications of expenditures on a national basis (see table) were reached by setting up a three-way

EXPENDITURES OF URBAN, NON-RELIEF FAMILIES BY INCOME GROUPS, 1935-1936

	A \$5,000 AND OVER	B \$3,000 TO \$4,999	C \$2,000 TO \$2,999	D \$1,000 TO \$1,999	E UNDER \$1,000	TOTAL
	Number	Number	Number	Number	Number	Number
Families	575,163 4.1%	1,146,978 8.1%	2,562,860 18.1%	6,039,289 42.6%	3,836,664 27.1%	14,160,954 100.0%
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars
Total Money Income	5,643,633,942 21.3%	4,052,435,945 15.3%	5,883,322,218 22.2%	8,460,195,094 31.9%	2,468,404,545 9.3%	26,507,991,744 100.0%
Total Expenditures	4,222,280,262 17.2%	3,453,710,558 14.1%	5,514,418,520 22.5%	8,487,317,609 34.6%	2,859,323,871 11.6%	24,537,050,820 100.0%
Food	723,934,126 9.9%	910,566,921 12.5%	1,642,912,269 22.5%	2,879,773,564 39.5%	1,137,665,721 15.6%	7,294,852,601 100.0%
House Furnishings and Equipment	108,227,856 12.6%	118,960,422 13.8%	214,992,767 25.0%	338,194,861 39.4%	78,792,723 9.2%	859,168,620 100.0%
Personal Care	63,289,559 12.4%	71,471,265 14.0%	120,457,699 23.7%	190,479,421 37.4%	63,263,788 12.5%	508,961,732 100.0%
Tobacco	46,657,092 9.9%	60,630,257 12.8%	111,712,190 23.6%	190,784,034 40.3%	63,540,439 13.4%	473,324,012 100.0%
Clothing	420,678,504 17.3%	428,297,376 17.6%	583,228,782 23.9%	787,424,384 32.4%	213,576,065 8.8%	2,433,205,111 100.0%
Automobile Purchase and Operation	338,883,015 17.0%	375,383,995 18.9%	549,916,537 27.6%	635,998,063 31.9%	90,612,165 4.6%	1,990,793,775 100.0%

table, dividing the total number of families under consideration into seventeen income groups, four city-size groups, and five geographical regions.

These data were taken directly from the National Resources Committee report. Against the actual number of families in each resulting cell were applied average family expenditure figures from the Study of Consumer Purchases which were representative of families in that particular income interval, city-size group, and geographical region.

In those instances where expenditure figures in the very bottom income groups (under \$250 and \$250-\$499) were not available, linear regressions were employed to project consumption rates from existing figures in the higher levels. Again, where the NRC report did not provide percentage distribution between negro and white families, pro-

jected figures from the most recent census reports were applied. "Income" in the Macfadden projection consists of money income only. Income figures in the table therefore differ from those in *Consumer Incomes in the United States*, which include such non-money income as occupancy of an owned home and rent received as pay.

Money Income

In its survey, the Study of Consumer Purchases reports, "Money income comprises the net earnings of all family members, including . . . earnings from roomers and boarders and other paid work in the home; net profits from business enterprises operated or owned by the family, and from property bought and sold within the year; net rents from property; interest and dividends from stocks, bonds, and other property; pensions, annuities, and bene-

fits; gifts in cash insofar as these are used during the year for current living expenses; and income received as rewards, prizes, alimony, or gambling gains

"Excluded from net money income are gains or losses from the sale of capital assets owned at the beginning of the schedule year; inheritances, with the exception of that part of cash inheritances used for current living expenses; soldiers' bonus payments (with minor exceptions); and funds obtained through borrowing."

One difference of major import will appear between these projections and those of the National Resources Committee, when released. The Committee has intimated that relief families will be included in its study. Since buying habits of relief families were in no case studied, the expenditure patterns of non-relief families at like income levels will be applied.

This may or may not be a sound procedure. Since it is questionable because of various factors entering into relief, and since the advertiser is not interested in relief families as possible consumers, Macfadden Publications considers that it is more advisable to confine all its projections to non-relief families.

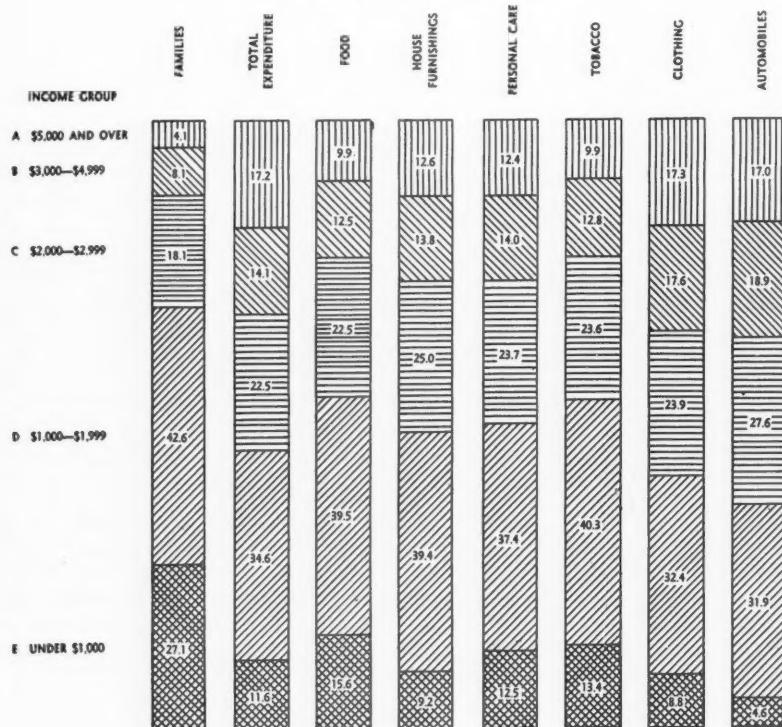
Were relief families included, it is obvious that the proportion of total expenditures assigned to the upper income groups would be decreased by the volume of relief-family expenditures, most of which would appear in the group of "under \$1,000" incomes, with a small addition to the next higher bracket.

These analyses, therefore, cover 14,160,954 urban non-relief families, since the 2,792,129 relief families have been eliminated from the total urban number of 16,953,083.

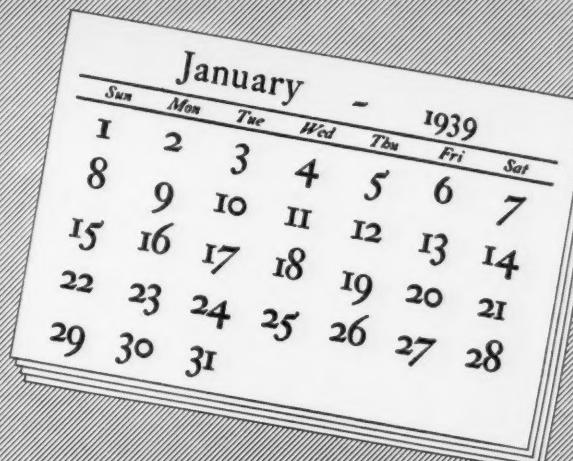
The figures show dramatically how these 14,160,954 urban non-relief families are distributed by income groups and how they spend their money for those broad groups of products—the manufacture of which keeps the American industrial machine at work.

EXPENDITURES OF URBAN, NON-RELIEF FAMILIES BY INCOME GROUPS, 1935-1936

(Percentages; each column equals 100 per cent)



THE BUSINESS DIARY JANUARY · 1939



Washington is beehive of activity as Congress assembles. . . . Defense and relief emerge as its two major issues. . . . Murphy, Frankfurter, and Hopkins assume new duties. . . . Fall of Barcelona foreshadows end of Spanish civil war.

- 1 FRANK MURPHY appointed by President as Attorney-General.
- 2 REPRESENTATIVE Joseph W. Martin, Jr., elected House Republican leader.
- 3 SEVENTY-SIXTH Congress convenes. Bankhead re-elected Speaker of House. Supreme Court upholds right of States to control liquor imports, NLRB remand order in Ford suit, and ICC ban on "rebates" in warehouse services for railroads. Wheat breaks out of five-month rut.
- 4 MILITANT defense program urged by President in message to Congress.
- 5 ROOSEVELT asks \$9,000,000,000 budget plus \$875,000,000 for relief until July 1. Felix Frankfurter nominated as Associate Justice of Supreme Court. Former Senator James P. Pope appointed to TVA Board to fill unexpired term of Dr. Arthur E. Morgan. Britain seeks help for sagging pound.
- 7 THOMAS J. MOONEY pardoned.
- 10 PRESIDENT assigns Hopkins to reconcile labor groups and to study Wagner Act changes.
- 11 HERMAN OLIPHANT, general counsel of Treasury, dies. Chamberlain arrives in Rome to talk with Mussolini.
- 12 ROOSEVELT requests \$552,000,000 for immediate defense needs.
- 13 HOUSE in rebellion votes \$725,000,000 relief measure. Wide legislative slate for rail rehabilitation introduced in House. Six New England governors demand consent by States in land surrender to Federal Government for flood control projects. Italy and Britain agree to maintain accord.
- 16 PRESIDENT informs Congress he has created a Federal Real Estate Board; advocates extension of Social Security Act to the aged and to dependent children.
- 19 CONGRESS asked by President to ban tax exemption of Government salaries and securities.
- 20 TNEC concludes patent hearings. Dr. Hjalmar Schacht is ousted as Reichsbank president; Dr. Walther Funk named as successor.
- 23 T. R. AMLIE nominated as member of ICC. New war fears cause stocks to slump in widest decline since March, 1938.
- 24 CIO leaders repudiate Homer Martin of UAWA; recognize R. J. Thomas as new head. Move for Perkins' impeachment on Bridges case made in House. Pilot, diving pursuit plane 575 miles an hour, sets new speed record for man.
- 26 ANDREWS charges Central Weaving & Spinning Co. for first court test of Wage-Hour Act violation. Spanish rebels enter Barcelona without battle.
- 27 NLRB re-issues order against Ford Motor Company.
- 28 SENATE passes \$725,000,000 relief deficiency bill.
- 29 CHARGES against Judge Martin T. Manton of United States Circuit Court of Appeals sent to House Judiciary Committee.
- 30 SUPREME COURT rules utilities cannot legally challenge validity of TVA power plan; upholds 1935 Federal Tobacco Inspection Act.
- 31 PRESIDENT accepts Manton's resignation. Receivership petition against Fidelity Investment Association dismissed by court.



FREIGHT FERRY SLIP IN LONG ISLAND CITY—CHARLES PHELPS CUSHING PHOTO

THE TREND OF BUSINESS

PRODUCTION . . . PRICES . . . TRADE . . . FINANCE

During January there was a pause in the prolonged advance in business activity which had continued since June of last year. Although concern over world events was something of a damper on business spirits, sentiment in the first part of February remained moderately cheerful. Production and trade showed only slight losses from the December level.

ALTHOUGH some of the business indicators dropped slightly in January from December, certain reassuring signs have not been lacking during recent weeks. Among them were such varied factors as the fairly high rate of building activity, the unexpectedly good demand for steel on the part of the railroads, the movement toward

Industrial Production

Federal Reserve Board Adjusted Index

1923-1925 = 100

	1936	1937	1938	1939
January	97	114	80	101
February	94	116	79	
March	93	118	79	
April	101	118	77	
May	101	118	76	
June	104	114	77	
July	108	114	83	
August	108	117	88	
September	109	111	98	
October	110	102	96	
November	114	88	103	
December	121	84	104	

pacification between the Government and the utilities, Government spending programs, and the general underlying strength in producers' and consumers' goods industries.

Conditions in Europe, however, continued to have something of an unsettling effect on the business man's attitude toward the future. This, together with the strength and length of the advance since the middle of last year, led many to accept the slight recession of activity as a not unnatural development.

The Federal Reserve Board's seasonally adjusted index of industrial production declined three points to 101, compared with 104 in December and 80 in January, 1938. The index is still

higher than that for any of the twelve months beginning in November, 1937. Steel ingot output, about 1 per cent higher than December and 85 per cent above January, 1938, failed to show the usual seasonal gain. Pig iron production declined contra-seasonally on a daily basis, 1.5 per cent below December, but 52.1 per cent above the level a year ago. The January steel rate averaged 52.7 per cent of capacity, and the iron rate 51.5 per cent. Machine tool orders, on the other hand, reflecting sustained domestic demand, continued the rise which started in November, and the index advanced to a level well above January, 1937.

Automobile production held up better than seasonally, as manufacturers changed the seasonal pattern so as to avoid a very high production peak between March and June. Output aver-

Factory Payrolls

U.S.B.L.S. Index (Revised)
1923-1925 = 100

	1936	1937	1938	1939
January	76.7	94.4	75.0	
February	76.6	90.7	76.9	
March	80.3	105.5	77.1	
April	82.3	109.3	74.6	
May	83.9	109.7	72.9	
June	84.1	107.0	70.8	
July	83.4	104.6	70.6	
August	87.1	108.2	76.9	
September	86.9	104.4	81.0	
October	92.5	104.5	83.9	
November	94.0	92.9	84.1	
December	98.8	84.2	86.6	

* Preliminary

aged about 80,000 to 90,000 cars weekly.

Topping the heavy steel industry orders were public construction bookings, although the volume of construction contracts in January fell below the dollar total for December, according to F. W. Dodge figures. Public projects were less numerous; private residential building declined moderately because of seasonal influences, while awards were 90 per cent over last year and 14 per cent above January, 1937.

FHA mortgages accepted for insurance totalled \$42,217,800, an increase of 118 per cent over the same month last year; small home mortgages selected for appraisal were 159 per cent above January, 1938.

As a result of the relatively high building demand, lumber production increased during January. New orders were 12 per cent ahead of output.

Production of consumers' goods was fairly active, particularly in the textile field. Cotton mills stepped up operations by nearly the usual seasonal amount, and spinning activity was

ping 1938 comparatives by a sizable margin. Shoe production gained about 35 per cent over a year ago, and was the largest of any January on record with the exception of the year 1937.

Freight-car loadings continued to decline in January, due principally to a reduction in coal loadings. Operating revenues of Class I railroads, however, showed a rise of 8.3 per cent over January, 1938, and a decline of 9.2 per cent from the same month of 1937. Freight revenues gained 12 per cent over 1938 and lost 9.6 per cent from 1937, while passenger revenues showed decreases from both yearly comparatives.

National income in January was only slightly less than in December. Fac-

month, according to the Department of Commerce, while variety store, mail-order, and chain store sales exceeded last year's comparative totals. Prices also rose somewhat, mainly in home furnishings lines. Middle Western storms were said to be a factor in the January department store drop; in February, the Lincoln's Birthday holiday

Industrial Stock Prices

Dow-Jones Index (Weekly Average)

Week	Nov. 1938	Dec. 1938	Jan. 1939	Feb. 1939
I	151.98	147.79	153.22	143.45
II	157.22	147.98	148.57	144.47
III	152.48	150.52	148.59	144.92
IV	149.65	150.62	139.58	
V	152.92			

Wholesale Commodity Prices

Week	U.S.B.L.S. Index—1926 = 100			
	Nov. 1938	Dec. 1938	Jan. 1939	Feb. 1939
I	77.3	77.4	77.0	76.6
II	77.4	77.1	76.8	76.6
III	77.3	76.7	76.6	76.6
IV	77.3	76.6	76.7	
V		76.9		

tory employment and payrolls declined a small amount, and the decline was accompanied by a slight decrease in the cost of living. Real wages, representing the relationship between the wage earner's money income and prices, were 6.5 per cent higher in December than in the same month of 1929, according to NICB data. Money in circulation for January was \$50.87 per capita, compared with \$52.46 for December, which was an all-time high. During the year 1938, the citrus crops—grapefruit, oranges, and lemons—set new records, contributing to a slight increase in farm cash income.

Consumer purchases in department stores declined in January by slightly more than the usual seasonal amount, and the Federal Reserve index dropped to 88 per cent of the 1923-1925 average, as compared with 89 per cent in November and December and 90 per cent in January, 1938. Rural sales in January were the highest on record for the

was met with a surge of shopping activity.

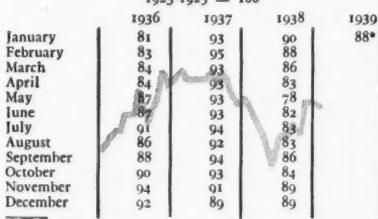
In wholesale divisions, commitments for Spring and early Summer apparel lines were reported 10 to 15 per cent ahead of 1938. The wholesale drug trade also reported a definite advance and furniture orders were 25 per cent above last January. Wholesale commodity prices continued to show little change, fluctuating within a narrow range.

In financial markets, the volume of security transactions in January showed a decrease from December, the total of 25,182,350 shares for the month being compared with 27,492,069 in the previous month. Stock prices declined in January, but part of the loss was recovered during the first part of February. Contributing to the stronger feeling was the adjustment of the sterling rate of exchange. New capital issues were only about one-ninth of the total in January, 1938.

Excess reserves of member banks during the first part of February declined, due to increases in money in circulation, in deposits with Federal Reserve banks, and in reserve bank credit. Commercial, industrial, and agricultural loans also declined somewhat, and failed to equal the comparative totals for either 1938 or 1937.

Department Store Sales

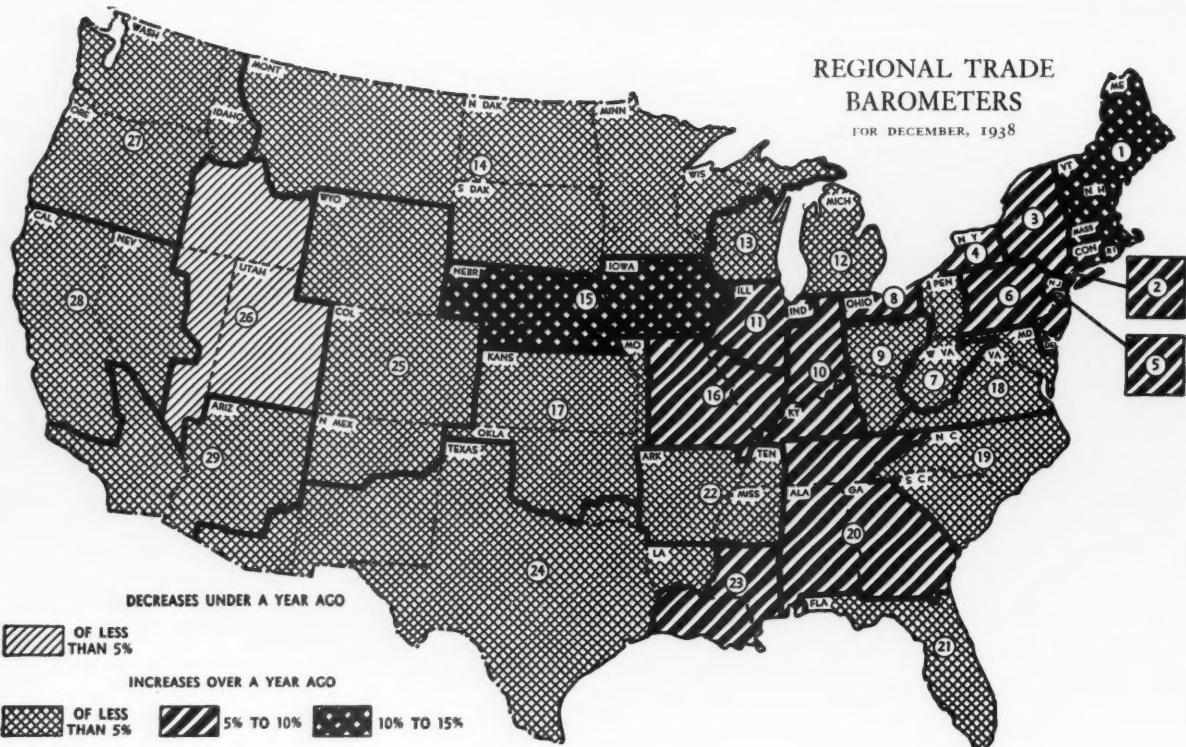
Federal Reserve Board Adjusted Index
1923-1925 = 100



* Preliminary

scheduled at 85.7 per cent of capacity; consumption increased seasonally over December. Raw silk deliveries to American mills were 40,816 bales, compared with 35,204 bales in the previous month. Rayon yarn deliveries also increased, from 26,200,000 pounds in December to 27,100,000 in January. Unfilled orders on woolen goods were regarded as well above the average, although somewhat smaller than at the end of the year.

Other consumer industries followed a similar trend. Hosiery mills were working at almost full capacity, top-



JANUARY INDEX LOWER

The United States Trade Barometer fell to 90.7 (preliminary) in January from 95.6 in December. Barometer figures are compiled by Dr. L. D. H. Weld, Director of Research, McCann-Erickson, Inc.; trade information is reported by 157 district offices of DUN & BRADSTREET, INC.

After the substantial spurt in the volume of trade in December, something of a reaction set in during January, and the preliminary figure for the United States Trade Barometer fell to 90.7. Although the seasonally adjusted index represents a decrease in trade activity of 4.9 points or 5.1 per cent during the month, it nevertheless is 7 per cent higher than the barometer for last January, and 1.5 per cent above November's level.

January trade felt the effects of the "in-between" season in retail markets. Promotions and clearance sales met with fairly satisfactory response, but stocks were low, price cuts narrower than usual, and the choice of merchandise thus comparatively uninviting to consumers. Men's clothing and Winter apparel lines met with the poorest demand, while furniture, floor covering, and house furnishing divisions were quite active.

Wholesale buying made a better showing than retail.

Trade shows attracted considerable buyer interest, and traders bought heavily to fill immediate requirements. Spring apparel lines were particularly active, and the volume of sales of coats, suits, dresses, and accessories was estimated 10 to 15 per cent above 1938.

Retail activity during December was more intense than is usual even at the holiday time. According to the regional barometers, more than seasonal increases in trade activity in comparison with November occurred in all but two regions. Volume in Minneapolis and St. Paul decreased 2.1 per cent, and Florida trade failed to make the usual seasonal rise by a scant 0.2 per cent. The largest increase over November was a 20 per cent gain in Iowa and Nebraska; trade volume expanded 15.3 per cent in the Pittsburgh area, 14.6 per cent in the Chicago territory, and 13.7 per cent in the region in and about Kansas City.

Every region except one showed a gain over the similar

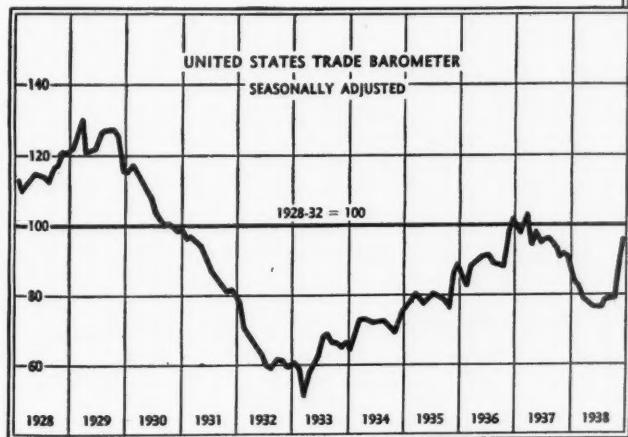
1938 period. Only Salt Lake City trade was slower, and even in that area, the decline was less than 5 per cent. New England, Iowa and Nebraska, and Atlanta and Birmingham regions reported the largest increases; the percentage gains over the previous year were respectively 10.5, 11.9, and 9.0 per cent in those territories. For the country as a whole, the net gain over the corresponding 1937 period was 4.4 per cent.

Latest calculations of the yearly averages of the barometers for 1938 reveal that, considering the year in its entirety, all regions suffered a decline in trade in comparison with 1937. The United States Barometer averaged 80.3 per cent of the 1928-1932 average, 16.2 per cent below the 1937 figure of 95.8. The Middle Western and Southern States seemed to show less of a decrease in trade activity than other sections of the country. The largest decline, 29.4 per cent, occurred in the Detroit region, and the smallest, 4.9 per cent, in New Orleans. Pittsburgh and Cleveland districts were, with Detroit, among the hardest hit in comparison with 1937.

THE MAP AND CHART compare the December, 1938 indexes with those for the same month a year ago. The column at the extreme right of the chart indicates the relative importance of the regions: the figures are percentages of national retail trade from the 1935 Census of Business.

THE INDEXES for the regions are charted, with U. S., from 1928, on pages 40-43; annual averages, 1928-1938, appear on page 40. They are composites based on: bank debits (Federal Reserve Board), department store sales (Federal Reserve Board), new car registrations (R. L. Polk & Company), and life insurance sales (Life Insurance Sales Research Bureau). In regions 2, 3, 4, 5, and 14, wholesale sales (Department of Commerce), and in region 2, advertising lineage (*Editor and Publisher*), which were found to make those indexes more accurate, are included. In region 15, department store sales have been omitted. Each index is separately adjusted for seasonal variation and for the number of business days in each month. All are comparable. The monthly average for the five years 1928-1932 equals 100. The preliminary figure for the United States is computed one month before the regional figures are available.

THE PARAGRAPHS printed opposite the 29 regional charts quote figures for December based on samples of department and retail stores reporting to the Federal Reserve banks; for January and for the first half of February based on opinions and comments of business men in various lines of trade, gathered and weighed by the local DUN & BRADSTREET offices.



REGIONAL TRADE BAROMETERS

REGION	December 1938 Regional Index	Dec. 1938 Compared with Dec. 1937 (%)	Retail 1935 Sales %			
			-10	0	+10	+20
U. S.	95.6				+ 4.4	100.0
1. NEW ENGLAND	87.0				+10.5	.7.8
2. NEW YORK CITY	85.5				+ 7.5	10.3
3. ALBANY AND SYRACUSE	96.0				+ 6.9	2.5
4. BUFFALO AND ROCHESTER	86.0				+ 5.5	1.9
5. NORTHERN NEW JERSEY	86.9				+ 7.0	2.9
6. PHILADELPHIA	90.0				+ 5.5	6.2
7. PITTSBURGH	94.8				+ 1.4	3.7
8. CLEVELAND	90.0				+ 5.5	2.9
9. CINCINNATI AND COLUMBUS	97.7				+ 2.5	3.1
10. INDIANAPOLIS AND LOUISVILLE	107.5				+ 6.8	2.6
11. CHICAGO	97.5				+ 5.6	6.4
12. DETROIT	87.3				+ 1.6	4.0
13. MILWAUKEE	98.7				+ 0.5	2.2
14. MINNEAPOLIS AND ST. PAUL	95.5				+ 2.7	4.5
15. IOWA AND NEBRASKA	91.1				+11.9	3.0
16. ST. LOUIS	96.1				+ 6.8	2.5
17. KANSAS CITY	99.7				+ 1.3	3.6
18. MARYLAND AND VIRGINIA	109.9				+ 4.7	3.8
19. NORTH AND SOUTH CAROLINA	108.1				+ 4.3	2.1
20. ATLANTA AND BIRMINGHAM	119.4				+ 9.0	3.5
21. FLORIDA	112.0				+ 1.5	1.3
22. MEMPHIS	98.6				+ 4.6	1.5
23. NEW ORLEANS	110.6				+ 5.3	1.0
24. TEXAS	114.8				+ 0.1	4.5
25. DENVER	108.8				+ 3.6	1.3
26. SALT LAKE CITY	94.0				- 4.7	.8
27. PORTLAND AND SEATTLE	91.5				+ 4.5	2.7
28. SAN FRANCISCO	98.8				+ 1.9	3.4
29. LOS ANGELES	98.3				+ 4.4	3.9

ANNUAL AVERAGES OF MONTHLY INDEXES, 1928-1938—MONTHLY, JANUARY-APRIL, 1938—SEASONALLY ADJUSTED; 1928-1932 = 100

REGION	U. S.	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1928.....	115.1	113.2	114.8	113.7	110.3	107.7	114.8	115.1	119.7	115.9	116.2	117.4	121.3	115.3	114.2
1929.....	124.2	122.0	126.4	121.6	120.4	120.4	124.3	124.7	128.4	122.4	124.1	129.8	134.3	120.5	123.1
1930.....	107.1	106.3	104.7	106.4	105.7	107.6	106.3	110.7	105.9	106.2	105.2	107.2	102.4	107.2	107.6
1931.....	89.2	90.8	88.5	90.3	87.5	93.4	89.2	88.5	86.6	90.3	88.0	85.6	82.7	90.7	89.0
1932.....	64.5	67.7	65.7	68.1	64.2	70.9	65.4	61.0	59.3	65.3	66.6	60.0	59.3	66.3	66.2
1933.....	63.0	65.3	64.5	68.6	63.1	66.1	63.7	60.7	61.0	64.7	65.0	62.4	49.0	63.3	65.6
1934.....	71.3	69.6	69.8	73.3	67.8	70.0	70.4	69.7	72.3	75.0	75.3	69.5	64.8	72.4	74.5
1935.....	80.1	74.8	75.0	79.7	73.5	75.9	77.7	77.3	79.0	84.9	86.5	79.8	79.8	83.2	86.6
1936.....	90.3	83.7	82.8	87.9	82.5	83.6	86.4	89.5	92.0	97.2	99.1	92.7	92.7	96.4	94.9
1937.....	95.8	85.7	84.5	95.1	87.5	87.8	90.8	98.6	101.2	100.3	108.3	98.1	102.9	103.5	99.5
1938.....	80.3	72.1	70.2	81.2	72.2	72.8	73.7	75.5	78.0	86.3	90.4	80.6	72.6	85.3	88.9
Per cent decrease 1937-1938.....	16.2	15.9	16.9	14.6	17.5	17.1	18.8	23.4	22.0	18.8	16.5	17.8	29.4	17.6	10.7
REGION	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29
1928.....	110.1	116.8	116.5	105.6	124.0	115.0	122.7	123.0	120.5	117.4	112.6	117.5	116.7	115.3	113.7
1929.....	118.3	122.4	126.5	113.3	125.8	125.4	120.6	131.1	122.6	127.3	121.7	126.8	127.3	118.5	126.0
1930.....	109.6	104.3	108.6	107.4	102.2	105.7	107.7	104.2	103.8	105.9	106.6	108.0	110.0	108.4	108.3
1931.....	93.7	89.0	84.9	97.6	86.6	87.7	86.1	80.1	86.4	85.0	91.2	86.8	86.7	90.6	88.4
1932.....	68.4	66.6	63.6	76.1	61.4	65.3	63.0	61.5	66.8	64.4	67.8	60.9	59.4	67.2	63.7
1933.....	63.5	64.3	66.0	70.0	68.8	66.9	65.0	61.8	65.7	66.5	67.8	59.9	55.9	65.2	61.6
1934.....	74.8	72.1	77.0	80.8	84.3	82.3	82.3	75.2	77.4	80.5	82.3	72.6	66.5	71.7	66.3
1935.....	82.9	79.3	85.2	91.6	91.7	88.4	92.1	80.3	81.9	80.9	92.5	83.3	77.2	84.6	80.2
1936.....	86.3	87.7	92.7	101.4	99.2	99.8	107.3	93.6	96.5	103.7	106.2	93.9	92.7	95.2	94.1
1937.....	84.1	94.1	98.9	106.7	108.3	110.3	116.0	96.7	99.7	113.7	112.0	101.9	96.8	98.9	99.4
1938.....	76.4	82.0	86.2	94.9	93.9	99.5	93.7	85.5	94.8	94.8	96.6	85.8	80.1	83.2	85.6
Per cent decrease 1937-1938.....	9.2	12.9	12.8	11.1	13.3	9.8	19.2	11.6	4.9	16.6	13.8	15.8	17.3	14.9	13.9

1. NEW ENGLAND

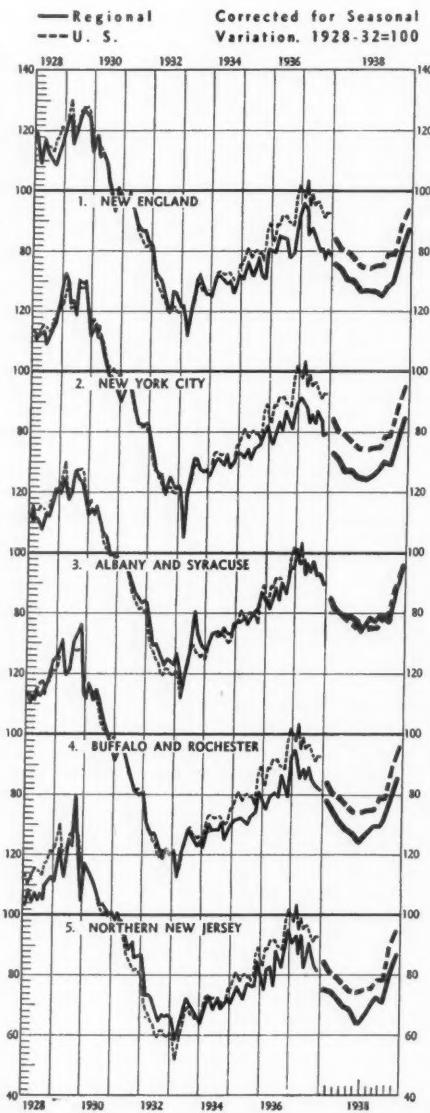
DEC., 87.0 NOV., 81.8 DEC. 1937, 78.7
DECEMBER—Percentage department store sales increases over previous December: Boston +4, Providence 5, New Haven 1. JANUARY—Percentage retail trade changes from previous January: Bangor —8, Portland 0, Manchester-New Bedford-Hartford-New Haven +5, Boston +1, Springfield —10, Worcester —5. Wholesale trade changes: Portland-Boston +5, Springfield —10. Payrolls and production steady to above last year, generally steady with December. Woolen mills and shoe manufacturing concerns active. Boston trucking strike slowed up business in all lines. Collections vary. FEBRUARY—Retail sales lagged due to poor weather, but a slight advance over 1938 was maintained. Industry more active.

3. ALBANY AND SYRACUSE

DEC., 96.0 NOV., 88.9 DEC. 1937, 89.8
DECEMBER—Percentage department store sales decreases from previous December: Syracuse 4, Northern State 8, Central State 1. JANUARY—Percentage retail trade changes from previous January: Albany +5, Binghamton +2, Gloversville-Utica —5, Syracuse —7. Wholesale trade changes: Albany +5, Syracuse —6. Dairy feed sales slow; milk prices good. Payrolls and production generally up from a year ago; down in Syracuse. Binghamton shoe factories working at 85% of capacity, compared with 70% last January. Knit wear manufacturing improved over last year; collections steady to better than a year ago. FEBRUARY—Retail and wholesale trade remained at about the same level. Manufacturing spotty.

5. NORTHERN NEW JERSEY

DEC., 86.9 NOV., 80.8 DEC. 1937, 81.2
DECEMBER—Northern New Jersey department store sales 3% above previous December. JANUARY—Newark retail sales volume 3% below January of last year; no change noted in wholesale trade. Bank clearings 8% below last year in Newark.
(Continued directly opposite)



2. NEW YORK CITY

DEC., 85.5 NOV., 76.7 DEC. 1937, 79.5
DECEMBER—Percentage department store sales changes from previous December: New York City —2, Bridgeport +5, Westchester-Stamford +2. JANUARY—Percentage retail trade changes from previous January: Bridgeport —10, New York City department store sales —9, parcel deliveries —6, hotel sales —3. Bank clearings up 9% from last January in New York City, and up 5% in Westchester County. Home furnishings made best showing in retail markets. Buying of Spring apparel at wholesale at about the same level as a year ago. FEBRUARY—Retail sales declined 5 to 10% from a year ago. Wholesale and manufacturing volume showed gains up to 10% over last year, especially in apparel lines.

4. BUFFALO AND ROCHESTER

DEC., 86.0 NOV., 79.0 DEC. 1937, 81.5
DECEMBER—Percentage department store sales decreases from previous December: Buffalo 3, Rochester 4, Niagara 12. JANUARY—Percentage retail trade decreases from previous January: Buffalo 5, Jamestown-Rochester 0, Elmira 10. Buffalo wholesale trade off 5% from a year ago. Farm income lower than last year. Payrolls and production steady with 1938 in Rochester and Elmira, down in Buffalo, up in Jamestown. Rochester optical and camera industries holding firm. Collections good in Jamestown, slow in Elmira, Buffalo, and Rochester. FEBRUARY—Retail volume off 2 to 5% from a year ago. Steel output shows large gain over last year; scheduled at about 40% of capacity in comparison with 14% in 1938.

off 7% in Northern New Jersey. Payrolls and employment steady with a year ago and with December; production and sales show increase over previous year and over previous month. Collections fair in retail and wholesale divisions, slow in manufacturing. FEBRUARY—Paterson broadsilk mills active. Slight seasonal improvement noted in retail sales volume.

6. PHILADELPHIA

DEC., 90.0 NOV., 82.3 DEC. 1937, 85.3

DECEMBER—Percentage department store sales changes from previous December: Trenton +2, Philadelphia —2, Scranton +3, Wilmington —5. JANUARY—Percentage retail trade changes from previous January: Trenton +3, Allentown—Wilkes-Barre—Williamsport —10, Philadelphia —6, Reading —4, Scranton—York +2, Harrisburg 0, Wilmington —5, Johnstown —8. Philadelphia wholesale trade 5% above a year ago. Payrolls and production steady to above last year. Coal and steel output improved. Floor coverings and textiles active. Rubber and pottery sales above last year. Leather plants operating 24 hours per day. Collections fair. FEBRUARY—Promotional events stimulated retail buying. Industry slackened.

8. CLEVELAND

DEC., 90.0 NOV., 85.3 DEC. 1937, 85.3

DECEMBER—Percentage department store sales increases over previous December: Cleveland 0, Akron 4, Toledo 2. JANUARY—Percentage retail trade changes from previous January: Cleveland +3, Akron —4, Canton +5, Lima —10, Toledo 0. Wholesale trade increases: Cleveland 6, Akron 2, Toledo 0. Production and payrolls generally steady to above last year. Screw machine, steel, and clothing lines active. Automotive production fluctuated considerably, affecting safety glass industry. Akron rubber manufacturing concerns decreased working hours. Collections fair. FEBRUARY—The steel rate continued to exceed the national average, while automobile production declined. Retail trade even with 1938.

10. INDIANAPOLIS AND LOUISVILLE

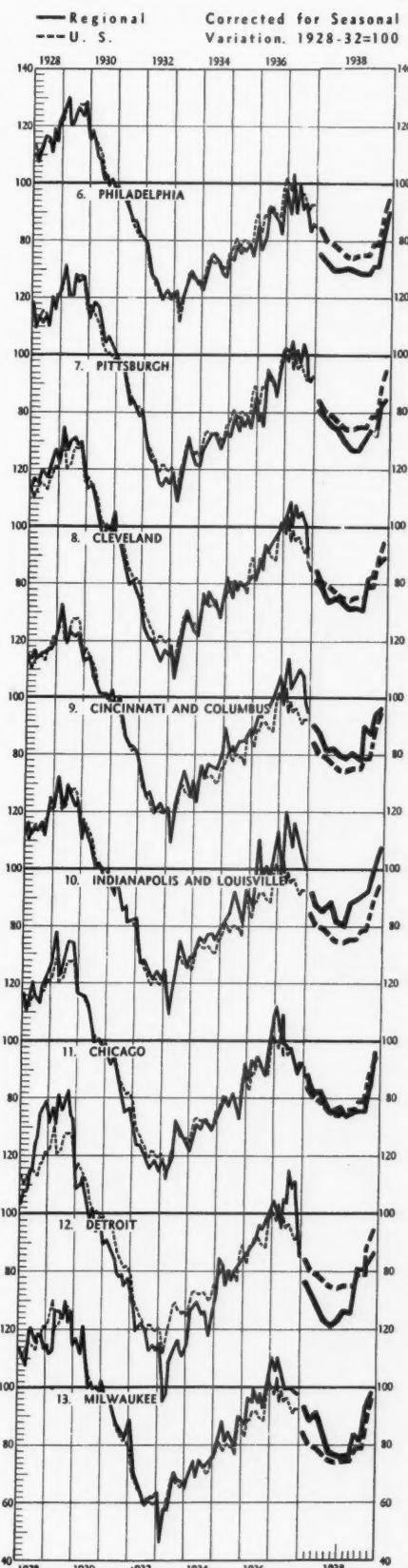
DEC., 107.5 NOV., 99.8 DEC. 1937, 100.7

DECEMBER—Percentage department store sales changes from previous December: Louisville +3, Indianapolis +7, Fort Wayne —3. JANUARY—Percentage retail trade changes from previous January: Louisville 0, Evansville +5, Indianapolis +10, Terre Haute —5, Fort Wayne —15. Wholesale trade changes: Louisville 0, Indianapolis +15. Good tobacco crop yield. Payrolls and production vary, above to below last year. Metal furniture and allied lines report future bookings very good. Gasoline pump manufacturing off seasonally. Collections fair. FEBRUARY—Retail trade up slightly in comparison with 1938. Wholesale dry goods and notions volume about even with last February. Industrial activity unchanged.

12. DETROIT

DEC., 87.3 NOV., 83.5 DEC. 1937, 85.9

DECEMBER—Detroit department store sales even with previous December. JANUARY—Percentage retail trade increases over previous January: Detroit 2, Grand Rapids 8, Saginaw 5. Wholesale trade increases: Detroit 15, Grand Rapids 10. Ready market for hot house vegetables. Prices of storage apples 10% higher than last year. Payrolls and production above a year ago. Automobile production up 30 to 35% from previous January. Building permits highest in seven years. Furniture sale had best registration in three years. Collections good in Detroit and Grand Rapids. FEBRUARY—Promotional events stimulated retail trade. Larger numbers of retailers placed Spring orders. Automobile output curtailed slightly.



7. PITTSBURGH

DEC., 94.8 NOV., 82.2 DEC. 1937, 93.5

DECEMBER—Percentage department store sales changes from previous December: Pittsburgh —1, Wheeling —1, West Virginia State +3. JANUARY—Percentage retail trade changes from previous January: Eric—Clarksburg —7, Pittsburgh —13, Youngstown—Parkersburg—Bluefield —10, Wheeling—Huntington +10, Charleston —5. Wholesale trade changes: Erie +10, Pittsburgh —15, Charleston —5. Production and payrolls vary, above to below last year. Steel rate scheduled above December, but below November. Glass manufacturing lagging. Lumber demand slightly improved. Collections fair to slow. FEBRUARY—Retail trade about 15% below last year. Caution prevailing in wholesale buying. Industry up slightly.

9. CINCINNATI AND COLUMBUS

DEC., 97.7 NOV., 95.0 DEC. 1937, 95.3

DECEMBER—Percentage department store sales increases over previous December: Cincinnati 0, Dayton 9, Columbus 4. JANUARY—Percentage retail trade changes from previous January: Cincinnati—Springfield +5, Dayton +1, Columbus —3, Zanesville +6. Wholesale trade changes: Cincinnati +5, Columbus —10. Price of poultry products boosted because of cold weather. Tobacco auction markets closed with results about equal to last year. Payrolls and production steady to above last year. Cincinnati pottery manufacturing slow. Production of women's shoes 10% above a year ago. Collections fair to slow. FEBRUARY—Retail trade 5% below January, better than a year ago. Wholesale dry goods improved.

11. CHICAGO

DEC., 97.5 NOV., 85.1 DEC. 1937, 92.3

DECEMBER—Percentage department store sales changes from previous December: Chicago 0, Peoria +3. JANUARY—Percentage retail trade changes from previous January: Chicago +2, Rockford —10, Peoria 0, South Bend +10. Chicago wholesale trade 5% above last January. Livestock receipts about 9% below 1938. Corn loans reported increasing, with crops sealed in bins. Production and payrolls vary in comparison with last year. Chicago public utilities and manufacturing concerns maintaining operations at or above last year's levels. Collections fair to good. FEBRUARY—Interstate Merchants' Council convention and trade shows stimulated both wholesale and retail trade divisions. Furniture sales 5% above 1938.

13. MILWAUKEE

DEC., 98.7 NOV., 92.7 DEC. 1937, 98.2

DECEMBER—Milwaukee department store sales 1% below previous December. JANUARY—Percentage retail trade changes from previous January: Milwaukee 0, Green Bay —8. Milwaukee wholesale trade up 2% from a year ago. Dairy industry reports increase in cheese sales. Payrolls and production steady to above last year. Furniture, shoe, and metal trades improved. Candy and bread manufacturing companies discontinued business because of labor trouble. Collections good to slow. FEBRUARY—Gasoline engine sales show good increase over the corresponding period of last year. Bank debits also show year-to-year gain. Retail sales up approximately 23% over last year's comparative.

14. MINNEAPOLIS AND ST. PAUL

DEC., 95.5 NOV., 97.5* DEC. 1937, 93.0

DECEMBER—Minneapolis-St. Paul-Duluth-Superior department store sales 3% above previous December. JANUARY—Percentage retail trade changes from previous January: Duluth-Billings 0, Minneapolis-Sioux Falls +8, St. Paul-Butte -8, Fargo -10. Wholesale trade changes: Duluth 0, Minneapolis +1. Winter wheat and range conditions good. Prices firm on potatoes, dairy and poultry products; other prices low. Payrolls and production vary in comparison with last year. Flour and linseed oil output steady. Packing industry showing favorable gains. Sugar beet manufacturing steady. Collections fair. FEBRUARY—Weather conditions affected retail trade somewhat adversely. Wholesale buying active.

*Revised.

16. ST. LOUIS

DEC., 96.1 NOV., 87.8 DEC. 1937, 90.0

DECEMBER—Percentage department store sales increases over previous December: St. Louis 2, Springfield (Mo.) 11, Quincy 3. JANUARY—Percentage retail trade changes from previous January: St. Louis +3, Springfield (Mo.) +4, Springfield (Ill.) -10, Quincy -5. St. Louis wholesale trade up 15% from previous January. Heavy, steady rainfall benefited wheat. Payrolls and production steady to above last year. Shoe industry active. Construction trades show improvement. Collections generally fair. FEBRUARY—Freezing temperatures tended to reduce the volume of retail sales to a level below last year and below January. Shoe manufacturers operating at full capacity, considerably ahead of last year.

18. MARYLAND AND VIRGINIA

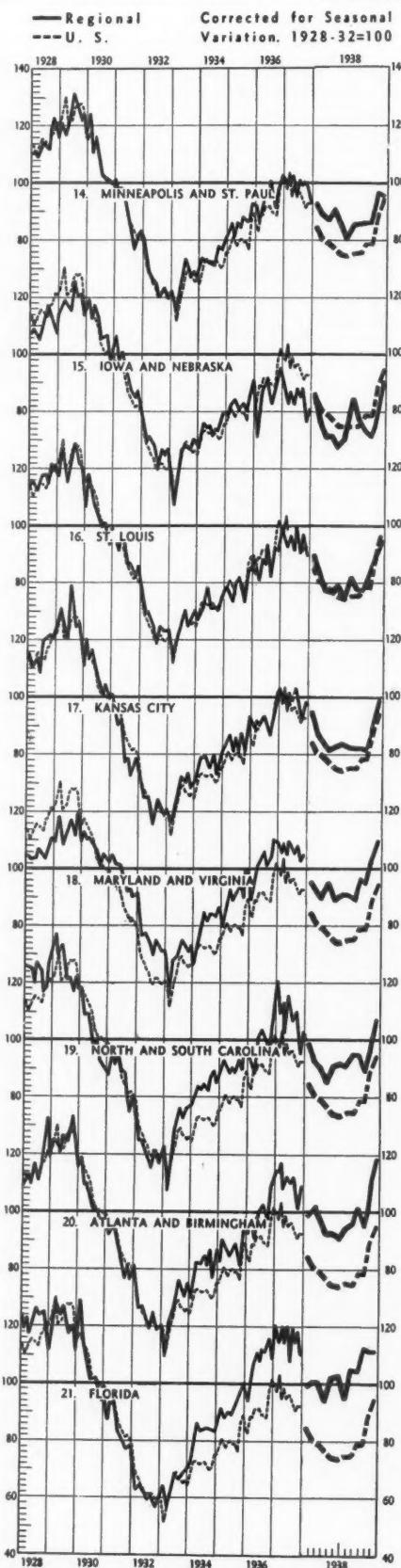
DEC., 109.9 NOV., 103.3 DEC. 1937, 105.0

DECEMBER—Percentage department store sales changes from previous December: Baltimore -2, Washington-Richmond-Virginia State +3. JANUARY—Percentage retail trade decreases from previous January: Baltimore-Roanoke 3, Washington 1, Norfolk-Lynchburg 5, Richmond 2. Wholesale trade changes: Baltimore +3, Norfolk -4, Richmond -1. Production and payrolls steady to above last year. Building continuing at good rate. Shoe and hosiery production show gains. Production of cigarettes and tobacco ahead of 1938 comparatives. Collections fair. FEBRUARY—Encouraging response to furniture and floor covering promotions. Wholesale trade slackened, as retailers hesitated in placing commitments for Spring merchandise.

20. ATLANTA AND BIRMINGHAM

DEC., 119.4 NOV., 110.0 DEC. 1937, 109.5

DECEMBER—Percentage department store sales increases over previous December: Atlanta 6, Birmingham-Nashville 4, Montgomery 15, Chattanooga 9. JANUARY—Percentage retail trade increases over previous January: Atlanta-Macon 10, Augusta-Birmingham-Mobile-Knoxville 0, Columbus-Savannah 15, Montgomery 34, Chattanooga 17; Nashville trade down 5%. Wholesale trade increases: Atlanta 6, Birmingham 0, Nashville 5. Cotton price low; yield good. Payrolls and production steady to above last year. Textile and lumber mills on full time. Steel and iron plants active. Collections fair to good. FEBRUARY—Rural electrification contracts let in Georgia. Retail sales above last year.

**15. IOWA AND NEBRASKA**

DEC., 91.1 NOV., 75.9 DEC. 1937, 81.4

DECEMBER—Omaha department store sales 1% below previous December. JANUARY—Percentage retail trade changes from previous January: Burlington +15, Cedar Rapids +7, Davenport -10, Dubuque -5, Waterloo +4, Des Moines 0, Sioux City +9, Lincoln-Omaha -8. Wholesale trade changes: Sioux City +13, Des Moines 0, Omaha -5. Winter wheat in need of moisture. Farmers availing themselves of corn loans. Payrolls and production steady to above last year. Packing houses and food processing plants steady. Collections vary in comparison with a year ago, good to slow. FEBRUARY—Building permits show large increase over last year. Retail sales 3 to 5% above previous week and about 2% above a year ago.

17. KANSAS CITY

DEC., 99.7 NOV., 87.7 DEC. 1937, 98.4

DECEMBER—Percentage department store sales changes from previous December: Kansas City +3, Wichita -5, Oklahoma City +5, Tulsa -2. JANUARY—Percentage retail trade changes from previous January: Kansas City 0, St. Joseph -8, Topeka -2, Wichita-Tulsa -5, Oklahoma City -6. Wholesale trade changes: Kansas City +5, Oklahoma City -7. Some regions in need of moisture for Winter wheat. Payrolls and production generally below last year. Strike in petroleum products corporation. Oil activity below a year ago. Packing shows little gain. Collections fair. FEBRUARY—Building permits ahead of a year ago. Retail trade spotty, showing no significant gains. Wholesale trade improved.

19. NORTH AND SOUTH CAROLINA

DEC., 108.1 NOV., 96.5 DEC. 1937, 103.6

DECEMBER—Percentage department store sales increases over previous December: North Carolina 3, South Carolina 2. JANUARY—Percentage retail trade changes from previous January: Asheville +2, Winston-Salem +18, Charlotte +2, Raleigh -5, Wilmington -8, Charleston +5, Columbia +12, Greenville +9. Wholesale trade changes: Wilmington -10, Charleston 0, Winston-Salem +12. Tobacco market closed for season. Winter crops in good condition. Payrolls and production steady to above a year ago. Hosiery and furniture manufacturers optimistic. Cotton mill activity improved. Collections fair. FEBRUARY—Building permits show large gain over last year. Retail trade volume 4 to 7% above a year ago.

21. FLORIDA

DEC., 112.0 NOV., 112.2 DEC. 1937, 110.3

DECEMBER—Florida department store sales 3% above previous December level. JANUARY—Percentage retail trade changes from previous January: Jacksonville -3, Miami -8, Tampa +5. Wholesale trade changes: Jacksonville -5, Tampa +8. Citrus yield good; prices low. Vegetable shipments about normal; prices fairly good. Payrolls and production steady with last year in Miami and Jacksonville, down in Tampa. Cigar industry declining in Tampa, steady in Jacksonville. Naval stores market stable, but prices and trading dull. Lumber demand decreased slightly. Collections vary. FEBRUARY—Vegetable shipments increased. Retail sales 5 to 10% above a year ago. Wholesale trade steady.

22. MEMPHIS

DEC., 98.6 NOV., 90.2 DEC. 1937, 94.3
 DECEMBER—Percentage department store sales increases over previous December: Memphis 5, Fort Smith 4, Little Rock 9. JANUARY—Percentage retail trade increases over previous January: Memphis 10, Fort Smith 0, Little Rock 7. Memphis wholesale trade up 10% from a year ago. Preparations for Spring planting under way. Payrolls and production above last year. Lumber, paper box, and canning industries active following inventory shutdowns. Furniture orders better than a year ago. Privately financed building construction fairly active. Collections good. FEBRUARY—Delay in outlining program for new cotton season caused buying to be cautious in both wholesale and retail trade divisions.

24. TEXAS

DEC., 114.8 NOV., 108.1 DEC. 1937, 114.7
 DECEMBER—Percentage department store sales changes from previous December: Dallas —5, Fort Worth +3, Houston +1, San Antonio —3. JANUARY—Percentage retail trade changes from previous January: Dallas-Austin —5, Fort Worth +2, Amarillo-Lubbock-Shreveport +5, Wichita Falls —7, El Paso —14, Houston-Waco 0, Galveston —10, Beaumont —6, San Antonio +6. Wholesale trade changes: Dallas-Shreveport —10, Houston 0, San Antonio +10, Fort Worth +1. Rainfall relieved drought. Production and payrolls vary in comparison with last year. Building active. Oil production quiet. Collections fair. FEBRUARY—Wholesale trade seasonally more active. Retail volume about 5% under last year's level.

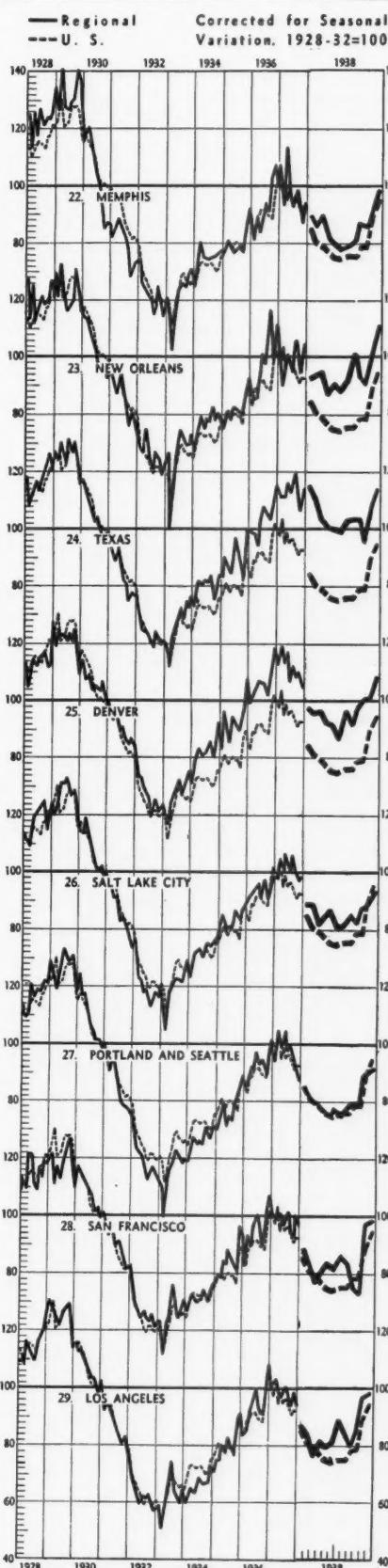
26. SALT LAKE CITY

DEC., 94.0 NOV., 89.4* DEC. 1937, 98.6
 DECEMBER—Salt Lake City department store sales 1% below previous December. JANUARY—Salt Lake City retail trade up 3% from previous January; activity slackened toward end of month. Wholesale trade up 8%, with furniture sales at the Chicago market holding up well. Production and payrolls steady with year ago and with previous month. Metal mining quiet. Smelting operations about even with last year. Produce prices still low; livestock prices advancing slightly. Coal production better than last year. Collections steady with year ago. FEBRUARY—Bedding and mattress manufacturing 15% ahead of last year. Fire sales bolstered retail trade; volume showed increase of 20% over 1938.

*Revised.

28. SAN FRANCISCO

DEC., 98.8 NOV., 97.3 DEC. 1937, 97.0
 DECEMBER—Percentage department store sales changes from previous December: San Francisco —2, Oakland 0. JANUARY—Percentage retail trade changes from previous January: San Francisco +3, Oakland +4, Sacramento +5, Fresno —10. San Francisco wholesale trade up 3% from previous year's comparative. Bumper crop of olives; prices and market reasonably good. Asparagus crop promising. Payrolls and production below last year. Building and automobile industries in rising trend. Influx of labor organizers noted. Collections fair. FEBRUARY—Manufacturers of women's apparel report satisfactory advance orders for Spring lines. Little change in volume of trade in retail divisions.



23. NEW ORLEANS

DEC., 110.6 NOV., 100.4 DEC. 1937, 105.0
 DECEMBER—New Orleans department store sales up 4% from previous December level. JANUARY—Percentage retail trade changes from previous January: New Orleans +12, Jackson —5, Meridian —3. New Orleans wholesale trade 15% above last year. Trucking crops about normal; prices steady. Advance prices on berries good. Production and payrolls steady with year ago and steady with last month. Petroleum products active. Building activity, especially public improvements, increased. Collections generally fair, slow in Jackson. FEBRUARY—Little change noted in wholesale dry goods and notions volume. Department store sales about 7% above January, approximately even with 1938 comparative.

25. DENVER

DEC., 108.8 NOV., 101.5 DEC. 1937, 105.0
 DECEMBER—Denver department store sales even with previous December. JANUARY—Percentage retail trade changes from previous January: Denver —4, Albuquerque +5. Denver wholesale trade down 5% from a year ago. Improved weather conditions bolstered trade. Payrolls and production steady to below last year. Lumber mills closed. Logging operations quiet because of snow. Building activity shows little change. Prospects for crops good. Heavy snows insure irrigation water. Sales tax collections under a year ago. Collections in general slow. FEBRUARY—Slaughter supply of cattle smaller than usual for stock show week. Wholesale trade steady. Retail volume off about 5% in month.

27. PORTLAND AND SEATTLE

DEC., 91.5 NOV., 87.7 DEC. 1937, 87.6
 DECEMBER—Percentage department store sales changes from previous December; Seattle-Tacoma-Portland +2, Spokane —3. JANUARY—Percentage retail trade changes from previous January: Seattle —11, Spokane —2, Portland +2. Wholesale trade decreases: Seattle 18, Portland 3. Crops poor; prices low. Production and payrolls below a year ago in Seattle and Portland, steady in Spokane, better in Tacoma. Lumber market depressed. Fishing industry burdened with heavy carryover of stocks. Shipping at a standstill. Collections slow. FEBRUARY—Department store sales spotty, somewhat lower than January. No improvement shown in wholesale trade. Automobile sales above last year.

29. LOS ANGELES

DEC., 98.3 NOV., 97.8 DEC. 1937, 94.2
 DECEMBER—Percentage department store sales changes from previous December: Los Angeles +1, Phoenix —1. JANUARY—Retail trade showed no percentage change from previous January in Los Angeles, Phoenix, and San Diego. Los Angeles wholesale trade up 5% from preceding year's comparative. Navel orange crop yield good; quality excellent. Avocados moving well. Prices below average. Payrolls and production steady to above last year. Building activity continues to show outstanding gains in comparison with other major industries. Collections fair. FEBRUARY—Apparel manufacturing about 15% below a year ago. Retail trade shows gain of 5 to 10% in dollar volume over last year's level.

INDUSTRIAL AND COMMERCIAL FAILURES

	NUMBER OF FAILURES			CURRENT LIABILITIES *			TOTAL LIABILITIES *			DUN'S INSOLVENCY INDEX †					
	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937	1939	1938	1937
Jan.	1,263	1,377	841	19,122	21,415	12,003	23,192	27,162	14,992	69.3	76.2	47.7	56.3	62.0	38.8
Feb.	1,149	755	—	21,028	14,004	—	25,501	22,887	—	75.2	50.6	—	65.4	44.0	—
Mar.	1,167	861	—	40,325	22,591	—	80,373	78,878	—	64.8	47.1	—	64.2	47.1	—
Apr.	1,172	818	—	21,147	12,893	—	29,355	13,628	—	65.1	48.3	—	63.2	47.4	—
May	1,123	875	—	19,139	13,088	—	19,831	14,965	—	59.8	47.6	—	59.2	47.6	—
June	1,073	703	—	15,918	12,829	—	16,892	16,737	—	64.1	41.1	—	67.5	43.3	—
July	1,038	651	—	14,761	12,780	—	15,008	13,955	—	57.2	37.9	—	64.3	42.1	—
Aug.	1,015	736	—	16,382	14,950	—	17,252	19,473	—	53.8	39.7	—	63.3	46.7	—
Sept.	866	584	—	14,341	9,818	—	15,183	11,308	—	51.6	35.2	—	61.4	41.9	—
Oct.	997	815	—	13,219	14,079	—	16,960	15,381	—	54.7	45.2	—	59.4	49.1	—
Nov.	984	842	—	12,302	16,400	—	17,281	17,709	—	53.9	52.7	—	51.8	51.2	—
Dec.	875	1,009	—	36,528	27,818	—	54,736	36,963	—	56.7	58.0	—	56.1	58.0	—
Total	12,836	9,490	—	246,505	183,253	—	335,534	276,876	—	61.1	45.9	—	—	—	—

* In thousands of dollars.

† Apparent annual failures per 10,000 enterprises.

‡ For seasonal variation.

ANALYZING THE RECORD OF INDUSTRIAL and COMMERCIAL FAILURES

NORMAL SEASONAL RISE IN JANUARY FAILURES

INDUSTRIAL and commercial failures in January experienced the usual rise caused by end-of-the-year settlements. A total of 1,263 concerns found it impossible to carry on into the new year. This was a 44 per cent increase over the 875 failures in December. Although this percentage increase exceeded the 38 per cent rise in January, 1937, the actual numbers failed by 114 to reach last January's peak of 1,377. Whereas last January's increase continued a drastic upward movement, the increase this year did not exceed the normal seasonal rise.

The insolvency index relates the monthly failures to the number of firms in business and is expressed as the apparent number of failures in each 10,000 firms in business. The January unadjusted index rose 12.6 points to 69.3. The index failed by 7 points to reach the last January high of 76.2. It was considerably above the level of January, 1937, but approximated the failure level at which

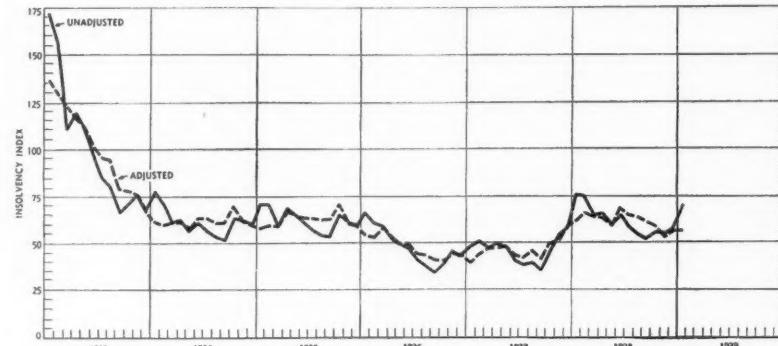
both the years 1936 and 1935 began.

If the current rise is measured by the average January increase over a long period of years, or, in other words, if the purely seasonal influences are discounted, it is found that, in relation to December, failures rose just about the normal amount. Thus there was practically no change in the adjusted index between December and January.

Current liabilities amounted to \$19,-

122,000 in January and total liabilities to \$23,192,000. A comparison between the January and the December liabilities is made difficult by the presence in the December record of a single large failure with liabilities of \$22,-000,000. If comparison be made of the failures in the two months with less than \$1,000,000 debt, it is apparent that January liabilities rose at approximately the same rate as the number

MONTHLY TREND OF THE INSOLVENCY INDEX



of failures. Current liabilities in January, 1938, amounted to \$21,415,000 and the drop to the present liabilities was only slightly greater than the drop in the number of failures.

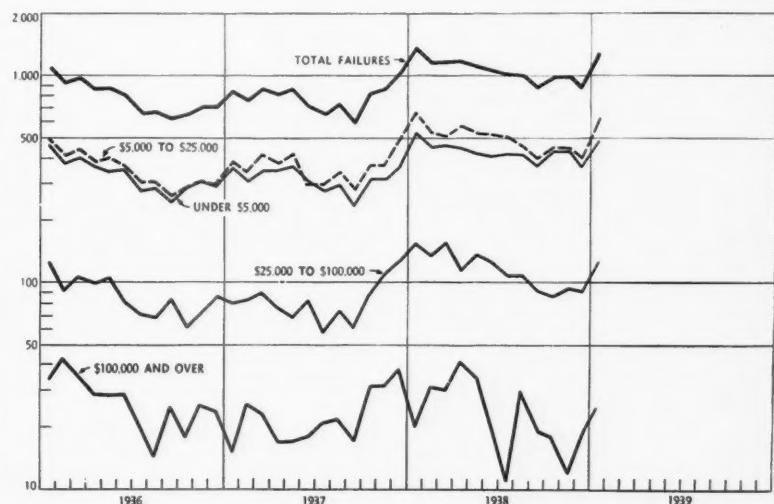
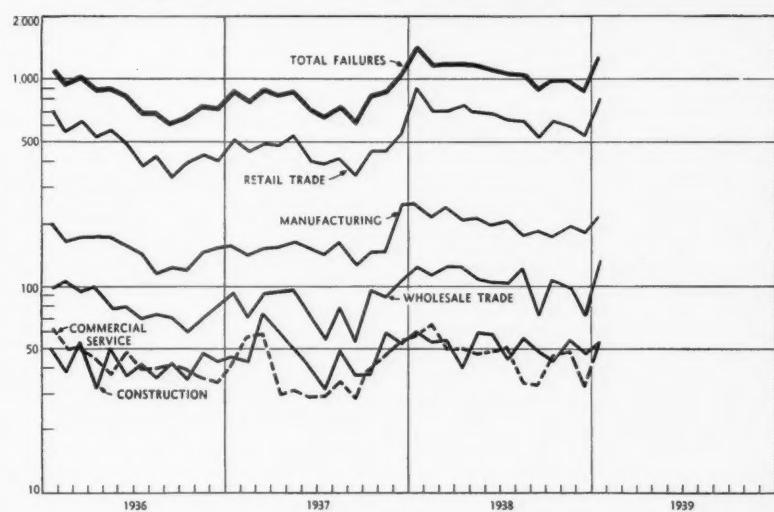
To summarize the January movement, there was a 44 per cent rise to a point 8 per cent below that of a year ago. The trend of failures within industry, size, and geographical groups was perhaps of more than usual interest.

Most January increases are due, to a great extent, to what might be called a housecleaning in wholesale and retail trade. Failures in the other groups, principally in manufacturing, may go either up or down. This year was no exception to the rule in the trade lines. There was a sweeping rise in both wholesale and retail failures which amounted to about 52 per cent in each group and covered all lines. In retail trade the greatest increase was among country general stores and city general merchandise stores. Apparel shop failures were up 73 per cent; furniture stores, 70 per cent; and hardware stores, 90 per cent. Failures in some of the retail lines equalled those of a year ago, but fewer failures in other lines, particularly food shops, kept the group total from reaching the January, 1938, level.

Wholesale failures, however, did top those of last January, and with 135 reported, reached the highest point in five years. This was not true in all of the individual lines—not in foods, clothing, dry goods, nor in building materials—but it was apparent in drugs, fuels, automotive products, and general supply lines.

January failures were up this year in the other three principal divisions of business as well. The rise in manufacturing failures amounted to 25 per cent and took place in all but four lines—textiles, forest products, chemicals and drugs, and transportation equipment. Manufacturing failures as a group failed to reach the level of a year ago, although in some few lines, failures were running higher. This

FAILURES BY INDUSTRIAL GROUPS AND SIZE OF LIABILITIES



was true in fuels, leather products, and iron and steel products particularly. The most noticeable rise among commercial service failures was in trucking companies.

INDUSTRY GROUP	January 1939	January 1938	Per Cent Change
Manufacturing	218	241	-10
Wholesale Trade.....	135	123	+10
Retail Trade.....	802	895	-10
Construction	54	60	-10
Commercial Service	54	58	-7
Total	1,263	1,377	-8

It is usual to find a striking rise in trade failures accompanied by a rise in

small failures which is more pronounced than the rise in the other size groups. What appears to have taken place this January was not only a sharp rise in the small trade failures but an even more drastic rise in retail trade failures among the more substantial companies, those with liabilities between \$25,000 and \$100,000, accompanied by a big rise in large manufacturing failures, so that as a whole the increase in the larger failures overbalanced the rise in the smaller failures. Only the very large failures numbered more than a year ago.

SIZE GROUP LIABILITIES	January 1939	January 1938	Per Cent Change
Under \$5,000.....	485	539	-10
\$5,000-\$25,000	626	664	-6
\$25,000-\$100,000	127	154	-18
\$100,000 and over.....	25	20	+25
Total	1,263	1,377	-8

Of the 25 very large failures 20 were manufacturers and two had liabilities of over a million dollars. Seven of these large manufacturers were petitioning for reorganization, two for an arrangement of unsecured debts, six filed for voluntary bankruptcy, and five had involuntary petitions filed against them. Three were companies which had been formed to succeed companies in 77-B in 1936 or 1937, as part of the reorganization plan, and three were very old concerns which were originally established around 1860, and were now in the hands of the third generation. Slightly over half had accumulated debts between \$100,000 and \$200,000. The balance had considerably larger indebtedness.

FEDERAL RESERVE DISTRICT	January 1939	January 1938	Per Cent Change
St. Louis.....	32	51	-37
Boston.....	100	141	-29
Philadelphia.....	69	87	-21
Chicago.....	174	209	-17
Atlanta.....	75	87	-14
Kansas City.....	63	71	-11
Cleveland.....	92	94	-2
New York.....	396	399	0
San Francisco.....	133	134	0
Richmond.....	68	60	+14
Minneapolis.....	26	19	+37
Dallas.....	35	25	+40
Total	1,263	1,377	-8

Geographically, the heaviest increases in January took place in the Central States, including Minnesota, Iowa, and Nebraska in the North, and Alabama, Mississippi, and Texas in the South. The New England States and the Pacific Coast States reported small increases of less than 25 per cent.

In view of this geographical distribution, it is not surprising to find that the rise was less pronounced in the large cities than in the remainder of the country. The rise was only 37 per cent in the twenty-five largest cities, compared with 52 per cent in the rest of the country. Last January the relationship was similar; perhaps it is justi-

FAILURES BY DIVISIONS OF INDUSTRY—JANUARY, 1939 AND 1938

(Liabilities in thousands of dollars)

	Number			Current Liabilities		
	Jan. 1939	Dec. 1938	Jan. 1938	Jan. 1939	Dec. 1938	Jan. 1938
TOTAL UNITED STATES	1,263	875	1,377	19,122	36,528	21,415
MANUFACTURING (total)	218	175	241	6,803	6,285	8,553
Foods	43	33	51	1,636	1,743	1,258
Textiles	41	44	59	650	540	1,368
Forest Products	17	21	18	387	489	781
Paper, Printing and Publishing	15	8	14	267	89	1,385
Chemicals and Drugs	7	11	12	81	185	299
Fuels	9	3	3	357	156	78
Leather and Leather Products	12	5	6	575	169	116
Stone, Clay, Glass and Products	8	4	7	335	116	426
Iron and Steel	12	8	9	1,090	524	312
Machinery	17	11	24	713	704	1,696
Transportation Equipment	3	3	3	26	1,206	362
All Other	34	24	35	686	364	472
WHOLESALE TRADE (total)	135	88	123	2,061	23,676	2,161
Farm Products, Foods, Groceries	47	36	50	720	682	873
Clothing and Furnishings	10	10	13	192	136	205
Dry Goods and Textiles	7	4	9	150	68	184
Lumber, Building Materials, Hardware	6	3	9	53	122	192
Chemicals and Drugs	8	5	6	125	22,021	62
Fuels	3	1	..	77	11	..
Automotive Products	7	6	4	122	76	75
Supply Houses	12	7	8	146	202	134
All Other	35	16	24	476	358	436
RETAIL TRADE (total)	802	527	895	7,731	4,142	9,196
Foods	168	157	222	858	868	1,268
Farm Supplies, General Stores	42	15	41	348	131	369
General Merchandise	54	25	52	515	277	449
Apparel	219	127	234	1,600	1,003	2,014
Furniture, Household Furnishings	49	29	58	583	309	829
Lumber, Building Materials, Hardware	38	20	36	860	153	502
Automotive Products	57	38	62	1,067	450	1,785
Restaurants	74	50	83	863	499	946
Drugs	47	33	48	512	265	457
All Other	54	33	59	525	187	577
CONSTRUCTION (total)	54	48	60	615	797	775
General Contractors	5	2	4	59	30	12
Carpenters and Builders	17	15	15	206	356	350
Building Sub-contractors	30	28	40	340	375	368
Other Contractors	2	3	1	10	36	45
COMMERCIAL SERVICE (total)	54	37	58	1,912	1,628	730
Cleaners and Dyers, Tailors	9	8	16	75	150	106
Haulage, Buses, Taxis, etc.	13	5	16	128	54	320
Hotels	7	3	1	1,347	706	4
Laundries	6	4	3	144	573	136
Undertakers	2	5	2	9	33	19
All Other	17	12	20	209	112	145

fiable to conclude that a January rise is largely made up of retailers outside the big cities.

Retail trade failures were highest in the Dallas, Kansas City, Chicago, and Atlanta Federal Reserve Districts in the order named, although the large

cities in these districts did not report exceptional rises. Failures in New York City, which amount to nearly half of all in the largest cities, rose 41 per cent—a percentage increase greater than in the other large cities but less than in the rest of the country.

SIGNIFICANT BUSINESS INDICATORS

COMPILED BY THE STATISTICAL STAFF OF "DUN'S REVIEW"
More detailed figures appear in "Dun's Statistical Review"

Building Permit Values—215 Cities

Geographical Groups:	January 1939	January 1938	Change P. Ct.	December 1938	Change P. Ct.
New England	\$4,519,466	\$2,210,097	+104.5	\$4,563,010	-1.0
Middle Atlantic	32,045,282	109,743,613	-70.8	28,969,593	+10.6
South Atlantic	9,935,755	5,168,012	+92.3	9,949,085	+4.7
East Central	18,649,865	8,042,027	+131.9	15,585,407	+19.7
South Central	9,085,300	6,674,578	+36.1	10,300,809	-11.8
West Central	3,333,994	1,824,180	+82.8	4,670,470	-28.6
Mountain	1,130,603	1,250,275	-9.6	1,897,094	-40.4
Pacific	14,946,839	11,953,343	+25.0	14,101,735	+6.0
Total U. S.	\$93,647,104	\$146,866,125	-36.2	\$89,582,203	+4.5
New York	\$23,588,706	\$106,072,040	-77.8	\$22,262,447	+6.0
Outside New York	\$70,058,398	\$40,794,085	+71.7	\$67,319,756	+4.1

Dun & Bradstreet Daily Weighted Price Index

The index represents the sum total of the wholesale price per pound of 31 commodities in general use:

Weeks:	1939	1938	1937	1936
Feb. 28	\$2.33	\$2.47	\$2.96	\$2.62
Feb. 21	2.32	2.48	2.94	2.67
Feb. 14	2.31	2.44	2.95	2.73
Feb. 7	2.30	2.43	2.96	2.68
Jan. 31	2.31	2.46	2.93	2.67
Jan. 24	2.30	2.47	2.94	2.67
Jan. 17	2.30	2.51	2.95	2.66
Jan. 10	2.31	2.53	2.99	2.69

HIGH LOW

1939	\$2.33	Jan. 3	\$2.30	Jan. 17
1938	\$2.53	Jan. 4	\$2.34	May 10
1937	\$3.01	Mar. 16	\$2.56	Dec. 28

Bank Clearings—22 U. S. Cities

(Millions of dollars)

	Monthly			Daily Average		
	1939	1938	1937	1939	1938	1937
January	23,187	21,798	27,226	927.5	871.9	1,089.0
February	17,584	23,720	...	799.2	1,078.1	
March	22,822	29,412	...	845.3	1,089.3	
April	21,667	26,086	...	833.4	1,003.3	
May	20,169	23,951	...	806.8	958.0	
June	23,959	25,903	...	921.5	996.3	
July	21,624	26,015	...	865.0	1,000.6	
August	19,716	22,260	...	730.2	856.2	
September	21,733	24,076	...	869.3	963.0	
October	24,011	24,668	...	960.4	986.7	
November	21,637	21,796	...	940.7	947.6	
December	27,697	25,805	...	1,065.3	992.5	
Total	264,417	300,918	...	875.8	996.7	

Bank Clearings for Individual Cities (000 omitted)

	January 1939	January 1938	Change P. Ct.	December 1938
Boston	\$918,451	\$878,933	+4.5	\$1,071,542
Philadelphia	1,578,000	1,481,000	+6.5	1,759,000
Buffalo	132,400	133,705	-1.0	145,651
Pittsburgh	492,161	480,543	+2.4	566,149
Cleveland	374,292	344,937	+8.5	434,435
Cincinnati	239,668	239,480	+0.1	264,515
Baltimore	275,552	270,325	+1.9	319,288
Richmond	160,430	166,267	-3.5	186,778
Atlanta	237,600	214,800	+10.6	268,900
New Orleans	171,994	165,900	+3.7	182,721
Chicago	1,206,804	1,202,062	-4.4	1,434,175
Detroit	420,407	418,300	+0.5	477,472
St. Louis	353,956	357,172	-0.9	410,432
Louisville	151,809	146,412	+3.7	166,680
Minneapolis	256,424	255,483	+0.4	295,763
Kansas City	382,740	378,036	+1.2	405,968
Omaha	130,739	123,015	+6.3	142,601
Dallas	223,952	215,981	+3.7	245,764
San Francisco	596,210	594,988	+0.2	688,448
Portland, Ore.	122,528	118,687	+3.2	127,820
Seattle	145,420	139,723	+4.1	152,336
Total 21 Cities	\$8,571,546	\$8,385,749	+2.2	\$9,746,537
New York	\$14,615,883	\$13,412,162	+9.0	\$17,950,624
Total 22 Cities	\$23,187,429	\$21,797,911	+6.4	\$27,697,161

Dun & Bradstreet Daily Weighted Price Index

30 Basic Commodities

(1930-1932 = 100)

	1939	1938
Feb.	105.65	† . . .
2	105.48	* . . .
3	105.48	105.78
4	105.36	105.97
5	† . . .	105.68
6	105.08	105.72
7	104.93	105.74
8	105.13	† . . .
9	104.63	105.62
10	104.87	105.38
11	104.80	105.39
12	† . . .	105.62
13	*	105.49
14	104.96	105.46
15	105.28	† . . .
16	105.31	105.83
17	105.50	105.88
18	105.50	106.10
19	† . . .	105.88
20	105.82	105.91
21	105.80	105.69
22	*	† . . .
23	105.94	105.65
24	106.14	105.69
25	106.15	105.92
26	† . . .	105.43
27	105.88	105.55
28	105.90	105.62
29	† . . .	105.84
30	105.63	105.48
31	105.45	*

† Sunday. * Markets closed.

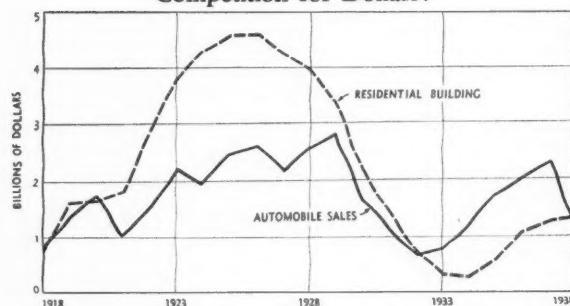
HIGH LOW

1939	106.15	Feb. 25	104.62	Feb. 9
1938	117.06	Jan. 10	102.43	June 2
1937	158.26	Apr. 5	114.83	Dec. 30

THROUGH THE STATISTICIAN'S EYES

ODD AND INTERESTING ITEMS FROM THE MONTH'S RECORD

Competition for Dollars?



VALUE OF NON-FARM RESIDENTIAL BUILDING AND AUTOMOBILE WHOLESALE SALES—1918-1938—U. S. Bureau of Foreign and Domestic Commerce and Automobile Manufacturers' Association—In general, a good year of residential building is accompanied by a good automobile year, although residential building tends to fluctuate more widely than automobile sales.

WHETHER another industry suffers when consumers spend more money on the products of one industry, is one of the questions discussed by E. Everett Ashley of the Tri-Continental Corporation in their recent survey on the construction industry. He refers specifically to automobiles and houses in this regard. He points out the prevailing belief that aggressive automobile merchandising leads people to spend more money on new cars than on new houses, and challenges the contention that a good automobile year cannot be a good building year.

The two best building years, 1925 and 1926, were also very good years in the automobile industry, this report shows. The long-time trends of wholesale automobile sales and non-farm residential construction show considerable similarity, although building activity tends to vary much more widely from peak to trough than do automobile sales. An unsatisfactory vacancy situation in recent years is considered as the most important factor in the low volume of new building, rather than a high level of automobile sales.

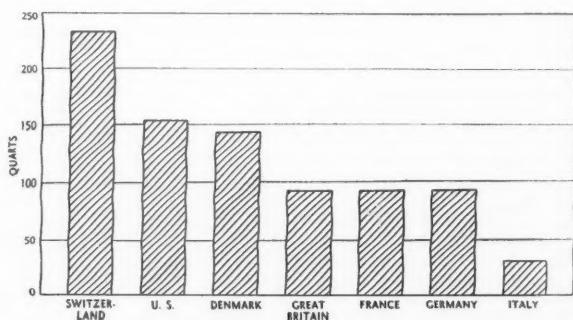
Milk

ALTHOUGH milk is considered as the "most nearly perfect food," it is not equally important in the diets of people of different countries. Statistics that the Milk Industry Foundation has gathered from various sources show that the Swiss people top all other nations in milk consumption, drinking 232 quarts per capita per year, while Americans are second, with 153 quarts. The British, French, and German peoples drink about the same amount of milk per capita—92 quarts, while the Italians average 28 quarts.

In this country, there was a steady upward trend in the number of milk cows prior to 1934, and a decline be-

tween 1934 and 1938 which was the first significant decrease in 70 years. The reduction was chiefly due to the combined effects of the business depression and to two serious droughts during the 'thirties, according to the U. S. Bureau of Agricultural Economics. In the period 1870-1904, the number of milk cows increased 1.73 per cent a year.

An interesting shift in milk usage has occurred in this country. The peak of production of manufactured dairy products was reached in 1889, at which time the use of fluid milk became more prevalent. Geographically there has been a shift also; the North Atlantic States produced 28 per cent of all manufactured dairy products in the United States in 1889, but only 6 per cent of the total during the last eight years.



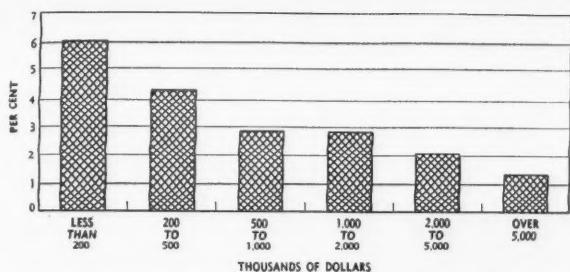
PER CAPITA CONSUMPTION OF FLUID MILK BY COUNTRIES—1930-1934—League of Nations and U. S. Department of Agriculture—The Swiss people drink more milk per capita than any other nation, with the people of the United States ranking second, and the Italians consuming a very low comparative amount.

Advertising Budgets

PLANNING of advertising and sales promotion appropriations should include analysis of the advertiser's situation from several viewpoints, according to the 1938 advertising budget survey of The National Industrial Advertisers' Association. The survey considers both the appropriation and the budget breakdown with respect to nature of the product, size of the company, number of prospects to be reached, number of items in the line, and price of products.

The percentage of gross sales spent for advertising varies considerably according to the nature of the product. In the case of operating supplies, 4.04 per cent of gross sales was spent; process materials, 0.99 per cent. Accessory equipment advertising was a higher percentage of gross sales than the general average, at 3.36, while the fabricating materials average was 1.58 per cent.

The size of the company also has an important effect.



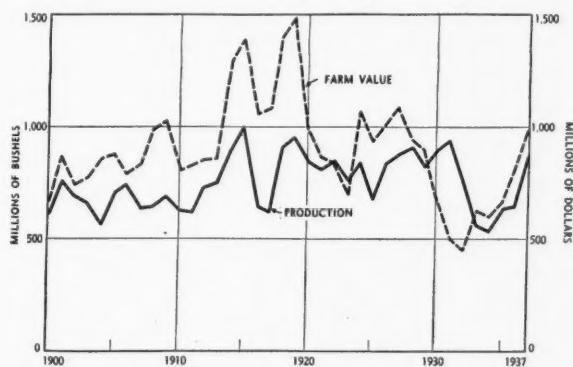
PERCENTAGE OF GROSS SALES SPENT FOR ADVERTISING—1936-1938 average
—National Industrial Advertisers' Association, Inc.—The size of a company, as judged by gross sales, has an effect on the allocation of funds to advertising; large companies spend a relatively small percentage of their gross sales for promotional purposes.

Three-year averages show that companies with a gross sales volume of less than \$200,000 spend about 6 per cent for advertising, while companies with sales of over \$5,000,000 spend 1.33 per cent. The percentages tend to vary inversely with the dollar sales volume.

Reduced Crops and Income

THE WHOLE QUESTION of whether or not the economic status of farmers is better when large crops are sold at low prices, or when small crops are sold at high prices, has been a subject of much debate in recent years. The National Industrial Conference Board, however, presents what seems to be rather conclusive evidence that, in the long run, large crops tend to yield a greater return.

Basing their conclusions on the agricultural history of the last 60 or 70 years, evidence is presented for three major crops—wheat, cotton, and tobacco. In the case of wheat, like movements occurred in both volume and value 44 times, whereas opposite movements occurred only 20 times. In cotton, there were 39 cases in which the movement corresponded, as compared with 20 in which the movement diverged. Tobacco showed the same kind of result, with similar movements in 44 out of 67 years.

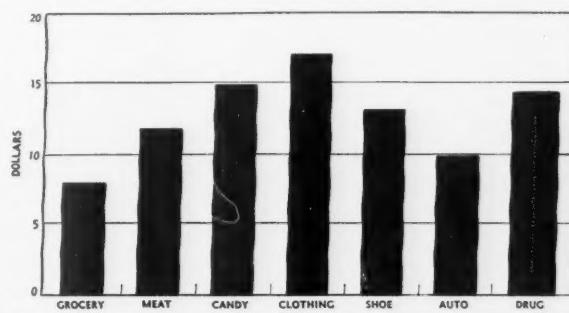


WHEAT CROP PRODUCTION AND VALUE IN 1926 DOLLARS—1900-1937—
U. S. Department of Agriculture and U. S. Bureau of Labor Statistics—
The number of bushels of wheat and the total cash value of the crop tend to vary in the same direction more often than in opposite directions.

Important qualifications in considering the data, which are pointed out by the Conference Board, are that the cost of production of a reduced crop may be less than that of a larger crop of equal value, and that an alternative use of land may yield a greater return.

Retail Payrolls and Sales

WITH THE INTENTION of providing an indicator of the trend of retail trade since the Census of Business: 1935, rather than a complete retail census, a retail survey covering 42 of the more important kinds of retail business and 102,853 stores identical with the previous survey, has been published by the U. S. Bureau of the Census. According to the report, 41.5 per cent of the total number of 1,653,961 stores did a business of less than \$5,000 in 1935 and accounted for 4.45 per cent of the total sales, while 7.2 per cent of the stores had sales of \$50,000 or more and accounted for 53.3 per cent of total sales. This survey in-



WAGE COST PER \$100 OF SALES IN VARIOUS TYPES OF STORES—1937—U. S. Bureau of the Census—As a more or less typical comparison, the wage cost per \$100 sales unit is considerably higher in a clothing store than in a grocery store.

cludes a sample of about one-seventh of the stores and one-fifth of the retail sales volume included in the Census of Business: 1935.

Comparable figures for the 102,853 identical stores reveal that payrolls increased on the average 24.6 per cent between 1935 and 1937, while sales increased 20.6 per cent. For the first six months of 1938 payrolls showed a decline of 3.1 per cent in comparison with the first half of 1937, and sales declined 13.0 per cent. The difficulty in relating sales and payrolls directly, the Bureau points out, is that proprietors' compensation is more or less unknown.

Among some kinds of business where fairly good samples were available, however, the computation of the relation of wage cost to sales was attempted. It was found that wide variation was shown between businesses of different types in the wage cost per \$100 of sales. Jewelry stores reported the highest ratio, \$20.65 per \$100; while furniture stores and family clothing stores each paid out more than \$17. Grocery store wages amounted to only \$7.81 per \$100, and general stores to \$8.29.

HERE AND THERE IN BUSINESS

WHAT'S NEW AS OBSERVED BY THE AGENCY'S REPORTERS

Glass—If you want to be ostentatious in a quiet way, for some three thousand dollars you can pick up a set of bedroom furniture so good that you can scarcely tell whether you have it or not. It is made of clear plate glass seven-eighths of an inch thick.

Maker of the sturdy, some say "shock-proof," material is the Pittsburgh Plate Glass Company. Fabricator is the Logan Porter Mirror Company, High Point, N. C. First to display the furniture is B. Altman & Company, New York department store. Other stores have contracted for suites; present plans are for manufacturing 200; with the help of new techniques and new machinery quantity production is not an insurmountable problem.

At the current price the market for entire suites is conceded limited. They consist of fourteen pieces, however, and the Logan Porter people are counting on many more sales of individual items. In the bedroom shown in the accompanying illustration twelve of them are just about visible; don't worry about the other two—they're behind the camera.



GOLD MEDAL—To Philip L. Thomson, Director of Public Relations of the Western Electric Company, was awarded this plaque for his services to advertising.

FOURTEEN PIECES—That many objects of furniture in this bedroom are made of sturdy clear plate glass, manufactured by the Logan Porter Mirror Company.

Especially suited to its function, we should say, is the glass fire screen, for the fire will remain completely visible. But how about that boudoir screen in the corner?

Medal—At a dinner attended by 200 advertising and publishing executives at New York's Waldorf-Astoria last month Philip L. Thomson was awarded for services to his craft a gold plaque. Mr. Thomson is president of the Audit Bureau of Circulations and Director of Public Relations of the Western Electric Company.

Services alluded to in the citation presented with the medal were these: He was one of the first to achieve high office in the sphere of corporate public relations. He was a pioneer among the advocates of frankness between corporations and the public, and early conceived of now-familiar institutional advertising. He has exerted a marked influence toward the observance of sound business principles by both advertisers and publishers.

Passed out also at the same function for other services to advertising were one silver and twelve bronze plaques.



Founded by Edward Bok, the awards were administered for a time by the Harvard School of Business Administration, lately by *Advertising and Selling*.

Three-in-One—To begin with, the Ansley DynaTone, made by the Ansley Radio Corporation, is not a piano and it's not a radio. It's not a harpsichord either, but it can be made to sound like one.

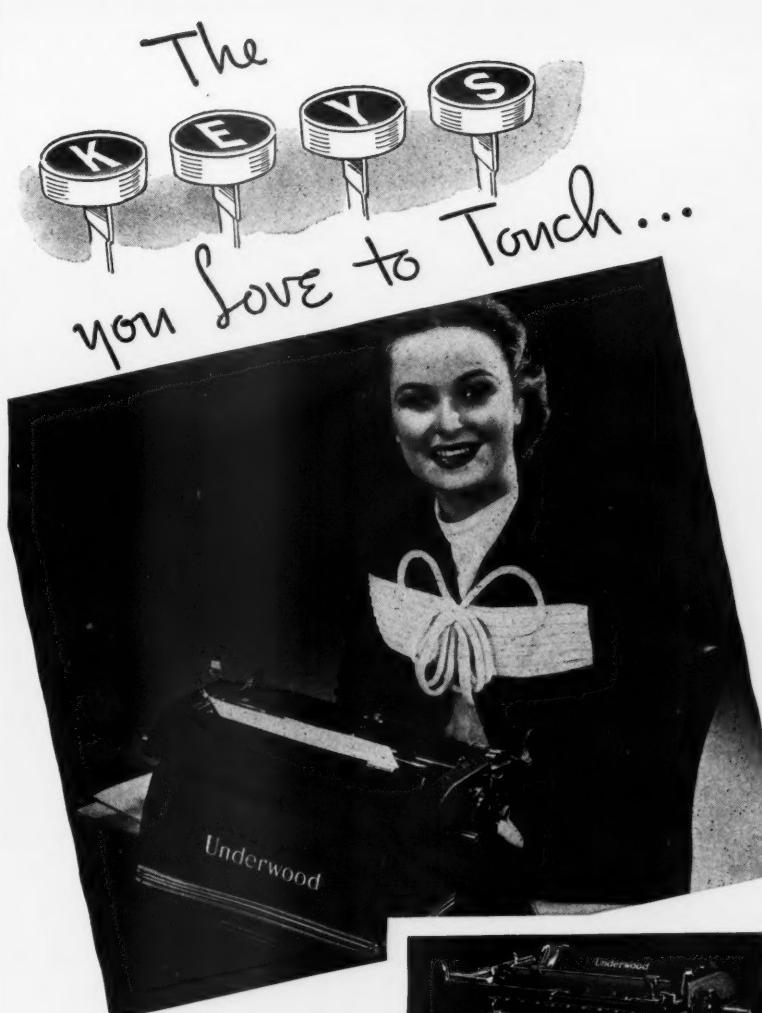
The DynaTone has the full range of 88 piano keys and strings, but no sounding board. The tones are picked up electrically from the vibrating strings and amplified and reproduced through an Ansley amplifier and speaker. The soft harpsichord effect is produced by using the DynaTone without amplification; also easy on one's neighbors during practice periods. Without a soundboard, the near-piano is a compact, handsome little instrument reaching back only a foot or two instead of six or eight.

Built-in, too, if you wish, in two drawers to right and left, is a Dynaphone (this is actually a phonograph) and a ten-tube radio. The three together are fetching about \$600.

Groceries—No longer to be spoken of with condescension, the voluntary and co-operative groups—one-time orphans of the grocery business—have come into their own. To general knowledge of their rapid rise since the late 1920's a recent survey undertaken by *The Voluntary and Co-operative Groups Magazine* adds latest available figures.

In its end-of-1938 check-up the magazine uncovered 815 voluntary and co-operative grocery groups, a slight increase over the year before; about 300 of them were retailer-owned, some 500 jobber-sponsored. Because these groups evidently had reached the settling down and weeding-out stage the survey-makers had looked for a decline since 1937 of nearly 100, through consolidation, failure, and other causes. They still doubt that the number will increase further.

Associations of independent retailers acting co-operatively to obtain advantages in buying, advertising, and other merchandising activities, co-operative groups first raised their heads about 50 years ago. Associations made up of



*perfectly controlled
by Dual "Touch Tuning"*

"**T**OUCH" gives your secretary an easier typing day; it gives you increased typing production, finer, cleaner-cut typemanship and safeguards you against those late afternoon errors that usually are the result of typing fatigue.

Typists love the "touch" of the new Underwood Master because years ago Underwood discovered that "touch" was as *individual* as a thumb print and then did something about it.

Thus, on the new Underwood Master each of the forty-two keys is *individually* tuned to the finger tips of the typist . . . adjusted to her *individual* typing habits.

The New
Underwood
Master



For your choice . . . the Standard, the Noiseless or the new Master, with Dual "Touch Tuning", Sealed Action Frame and Champion Keyboard.

And then, as an added feature, the typist can control the tension of *all* keys at will by the mere flick of a finger.

So, let your secretary select the new Underwood Master for "touch" while you select it for stamina and dependability. Underwoods always stand up . . . never take too much time out for repairs. For a free trial telephone the nearest Underwood Branch.

Typewriter Division
UNDERWOOD ELLIOTT FISHER COMPANY
Typewriters . . . Accounting Machines . . . Adding Machines
Carbon Paper . . . Ribbons and other Supplies
One Park Avenue New York, N. Y.
Sales and Service Everywhere.
Underwood Elliott Fisher Speeds the World's Business
Copyright 1938, Underwood Elliott Fisher Co.



WOLF AWARD—Winner this year in the American Management Association-sponsored packaging exposition is the rainsuiter display carton of Leon A. Axel, Ltd.

independent retailers and wholesalers, under the sponsorship of wholesalers, first saw the light of day about 18 years ago. These were called voluntaries. In 1926 there were only about 100 of the two types together. From then until now they have increased at a rate of about 60 a year. Among the States which lead in number of retail members are New York, Pennsylvania, California, Illinois, Massachusetts, and Ohio, with their large urban populations, and Minnesota, with its Scandinavian stock and co-operative propensities.

Of the estimated 120,000 member stores in co-operatively-operated groups approximately 30,000 are in retailer-owned groups, 90,000 in those sponsored by wholesalers—averages of 100

and 180 stores, respectively, for the two types. *Census of Business* statistics, however, indicate that the retailer-owned groups are growing the more rapidly in dollar volume. Over the two-year period 1935-1937 they showed an increase of 22.8 per cent, against the jobber-sponsored groups' increase of 13.3 per cent.

It is now clear, *The Voluntary and Co-operative Groups' Magazine* declares, that their members' rank in food mass-distribution is first. Once responsible for 40 per cent of the total retail food volume, chains now account for about 20. Meanwhile the volume of voluntary and co-operative members has climbed to about 30 per cent, as is apparent from the whimsical marathon on the accompanying chart, reprinted from their magazine. The share of food volume distributed through supermarkets it places at only 7 per cent. And perhaps consideration of this last "competitor" is academic, for the magazine estimates that 50 per cent of all supermarkets are operated by chain store interests, 50 by sponsors or retail members of voluntary groups.

More Facsimile—Pretty good, but not the ultimate in facsimile telegraphy, was the demonstration a short while ago of Western Union's automatic telegraph. Into a small cabinet fastened to a wall in the Essex House, New York hotel, was dropped a hand-written telegram. Its image repro-

duced itself at the main telegraph office at 60 Hudson Street a few moments later. In the cabinet the telegram had been automatically wrapped around a cylinder revolving before a photo cell; at the receiving end a metal stylus had responded to the electrical impulses transmitted.

At the Essex House, however, a Western Union employee still had to count the words and collect the charges. Principal differences from usual telegram-sending experience, as far as the writer of the telegram was



SHUTTLE—From this wall-box in a hotel lobby to the nearest Western Union central office go facsimile reproductions of the hand-written telegrams dropped in.

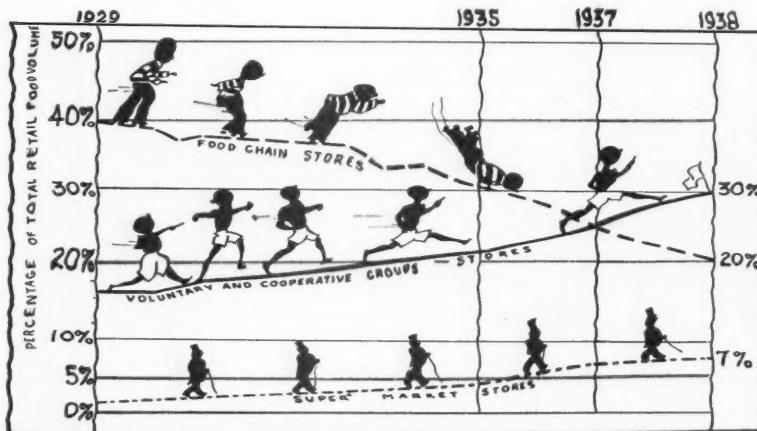
concerned was that he could, if he cared to, drop it in the slot himself. The time may come, however, when a coin-machine attachment will make the sending fully automatic.

Reports—If the 60,000 employees of meat-packing Swift & Company care a nickel's worth to know what their managers did with Swift's income in 1938, or how the balance-sheet looked at the end of the year, they have only to turn the cover of President John Holmes' booklet *Report to Employees*. In place of technical accounting terms are the readily understood phrases of everyday speech. In equally plain language they can learn, too, how many of them got vacations with pay, how many became eligible for pensions, and what the company's problems were in reducing accidents and increasing stability of employment.

"Employees," began President Holmes, "look to the company for wages, steady employment, for safety

PERCENTAGE OF VOLUME OF ALL FOOD RETAILING SOLD BY CHAINS, SUPERMARKETS, AND VOLUNTARY AND CO-OPERATIVE GROUPS, 1929-1938

(The Voluntary and Co-operative Groups' Magazine.)



while they work, for friendly advice and counsel, and for a lot of other things. It is with this in mind that I felt that there was need for a report of this kind"

At about the same time there appeared another notable manifestation of the same trend in industrial relations activities—in the direction of recognizing and turning to advantage the interest of workers in matters which were once considered the exclusive concern of stockholders and management. Of 66 pages in a number of Monsanto Chemical Company's magazine for employees, 40 were given over to "Who Owns Monsanto?"

Owners of Monsanto, it turns out, comprise 4,300 men, 4,084 women, and 3,000 widows and minors. Of the millions who have an indirect interest are 170,000 investors in the investment trusts, 25,000,000 life and fire insurance policyholders, and 80,000 college students. More than this, the article proceeded to show in pictographs the concentration (or lack of it) in ownership—what percentages of men, women, trusts, and institutions own what proportion of the company's stock.

To bring the story of ownership out of the haze of statistics, the concluding pages move on to Cincinnati, "The Middletown of Monsanto." Pictures and captions of stockholders show them to be pretty much the same sort of solid, respectable citizens which Monsanto employees are, or aspire to be, in St. Louis.

HOW BIG IS BIG BUSINESS?

(Continued from page 31)

wild. Surprisingly few of them have been cultivated and assembled with an eye to the uses they can properly serve and the loads in the way of conclusions that they will and will not bear. Their value depends in each case upon the purpose for which they are being assembled, the concept of size that is under consideration, and the statistical methods employed. Many apparent

**EXPERIENCE
IS AT THE HELM**

when you
arrange LOANS
based on

Field Warehousing by Douglas-Guardian

Field Warehousing by Douglas-Guardian again made impressive gains in 1938 . . . both in volume and in new customers. Hundreds of leading banks actively invite loans based on our service—a gratifying tribute to successful EXPERIENCE, which the heads of Douglas-Guardian have been amassing in this specialized service, for over 16 years.

If you need working capital and own inventory that seems logical for a Field Warehousing set-up, get in touch with Douglas-Guardian. Our experience will tell us quickly how to appraise your inventory in terms of its loan value to your bank. Our experience will guide you in presenting your loan request to your bank. Experience will be at the helm in setting up the Field Warehouse, issuing the Warehouse Receipts, maintaining custodianship, releasing the merchandise as loan is liquidated. Through years of experience, we have reduced a mass of important details into a smooth-working technique that saves time, saves red tape, saves mistakes.

**Why not write
wire or phone**

us about your specific need
for money—collateral avail-
able, etc. What informa-
tion can we give you? Glad
to answer your questions.

**FIELD Warehousing
Made Plain**

A concise, yet comprehen-
sive explanation of Field
Warehousing in general and
Douglas-Guardian special-
ized service in particular.

★ INDICATES DOUGLAS-GUARDIAN BRANCH

Douglas-Guardian Warehouse Corp.
100 W. Monroe St., Chicago DR
Please send us your booklet "Financing the Modern Way."
Name _____
Address _____
City _____ State _____
Signed _____

DOUGLAS-GUARDIAN WAREHOUSE CORP.
National Field Warehousing Service
100 West Monroe St., Chicago, Ill. 118 North Front St., New Orleans, La.

Also offices at
Memphis, Tenn. Dallas, Texas Easton, Md. Tampa, Fla. Springfield, Mo.
Rochester, N. Y. New York, N. Y. Los Angeles, Cal. San Francisco, Cal. Cleveland, Ohio

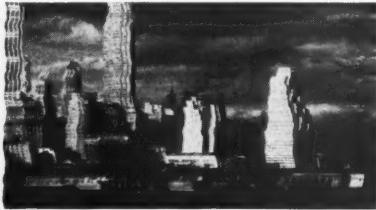
DUN'S REVIEW

. . . is a national magazine which impartially records and interprets the effects of significant trends, developments, and legislation

. . . reports the findings of authoritative economic research

. . . presents without prejudice the views of leaders of American thinking on controversial subjects

. . . reviews business conditions



From the 1938 Index

- Abrahamson, Albert—A Former WPA Administrator Looks Back at His Job
Batt, William L.—Management's New Responsibilities
Bird, Frederick L.—The Trend of Tax Delinquency—1937 Figures
Bogen, Sules L.—Excess Capacity in Wall Street?
Foulke, Roy A.—Financial Ratios as Guides to Operating Policies
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Leverhulme, Viscount—The Field of Management
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Trull, Edna—Long-Term State and Local Debt
Warne, Colston E.—The Consumer Revolt Against Business
Wolff, Reinhold—Control of Retail Prices Under the Fair Trade Laws

The Monthly Sections

- Business Diary
The Trend of Business
Regional Trade Barometers
The Failure Record
Significant Business Indicators
Through the Statistician's Eyes
Here and There in Business
Business Bookshelf
The Editor's Page

. . . to receive DUN'S REVIEW for a year (\$4) send the editors at 290 Broadway, New York, a postcard with your name and address on it. A statement will be sent you. . . . Three years for \$10, if you prefer.

contradictions can be reconciled when tests of this character are applied.

There follows a brief résumé of some of the measures that have appeared in this article, and an illustrative speculation or two on their uses and limitations.

The 200

1. Berle and Means: The 200 largest non-financial corporations in 1929—

(a.) *Controlled* 49.2 per cent of all non-financial corporate wealth directly or through legally controlled subsidiaries. Yields an abstract picture of the mass effects of intertwining within our corporate structure, but was never intended to depict the business structure as by definition it excludes that substantial part of business that is not incorporated.

(b.) *Controlled* 38 per cent of business wealth. Again useful for pictorial purposes, but because of the inclusion of industries under public control, as railroads and utilities, is not suitable without further refinement as evidence on the growth of concentration under the anti-trust laws.

(c.) *Controlled* 22 per cent of the entire national wealth. Completes the view of our national operating set-up. Is a more speculative figure than the others, partly because of the necessarily broad character of existing estimates of national wealth, partly because of the difficulty of selecting appropriate items from commercial balance sheets for this purpose.

The 594

2. Twentieth Century Fund:

(a.) 594 corporations owned 53.2 per cent of total corporate assets. The broadest picture of all, as it includes financial corporations, but must be used with caution, because of the duplications resulting from such scope.

(b.) 375 non-financial corporations owned 56.2 per cent of that type of corporate assets. For the consideration of specific public policies, as those dealing with monopoly and restraint of trade, suffers from the same infirmity as Berle and Means' parallel conclusion concerning their 200 giants. Also, such of the Fund's data as were based on *Statistics of Income* have to be viewed through the veil of partial consolidation. Unlike elements such as ownership and control can hardly be

segregated without more intimate data, even with full awareness of the problem.

(c.) 594 corporations owned 55 per cent of the lands, plant, and equipment credited to corporations. As with findings (a.) and (b.), the reference is to corporations only and on the basis of partly consolidated and partly unconsolidated returns.

3. President's statement based on 1935 income tax returns: one-tenth of one per cent of corporations owned 52 per cent of assets of all of them; less than 5 per cent owned 87 per cent. A true general impression within its descriptive limits, but deals with corporations only, and on a partly consolidated basis. All statements in term of percentages depend on the number of concerns in the base (where from an ideological point of view big figures are usually considered desirable) as well as on sharpness of concentration at the peak (which for many purposes is usually conceded to be necessary).

4. Social Security Board (derived estimate): two-tenths of one per cent of employers hired 32 per cent of employees. This new source of data has useful possibilities. Has the merits of emphasizing different results from different measures and of disregarding purely legal distinctions in form of organization. Has the disadvantage of treating subsidiaries mainly as independent employers.

5. Crum: 106 industrials controlled 30 per cent of industrial corporate wealth. Comes closer to an examination of the problem by homogeneous segments. Still deals only with corporations. And the wealth with which it is compared includes incongruous elements such as mining, agriculture, trade, and service.

6. Foulke: In terms of tangible net worth, Means' 200 giants controlled a considerably smaller proportion of the national wealth than the 22 per cent computed by the latter on the basis of gross assets. Another new measure, possibly capable with further refinements of escaping the weaknesses of gross assets for certain purposes.

And all this without prejudice. Each surveyor had his conception and plan, and drew from the common mass of inexact data the elements that seemed to him best adapted to the purpose.

And of course all finales on this topic

must make room for the mysterious influence of intangibles, such as investment trusts, interlocking directorates, family relations, voting trusts, minority and management rule, personal contacts, banking affiliations and influences, trade associations, and numerous other types of working contact in high and low degree. And then there is what might be called *remote control*, consisting of the nominally discretionary action of small companies in following the price policies of larger companies. Influences of this kind are not measurable but are universally acknowledged to exist.

It is unorthodox to recognize intangibles working in the other direction, but some do exist. Topheaviness is no stranger to some of our industrial skyscrapers. Periodically there is news of corporate penthouses being dropped here and there. More significantly, however, there is considerable decentralization in management, and a corresponding degree of branch and plant authority. On many matters there is no escape from local discretion.

What Does It Matter?

How big our big corporations have become depends clearly upon the yardstick preferred. And by any yardstick, statistical polemics aside, it is obvious that many of our business units have attained to great size. Perhaps our concern should mount geometrically with the degree of concentration. Yet in the last analysis we are not helped very much by that bare statistical knowledge in formulating a suitable national policy. How can we be certain whether the new powers created have served the general welfare better or worse than would have a more moderate amount of concentration or, relatively, none at all? What really matters is the highest and most stable rates of production, consumption, and employment that can be reached without sacrifice of our essential liberties. Whether it can best be reached by bigger or smaller business units remains as completely open a question after all the physical measurements are completed as before they began. Whether our existing organization is an answer to that challenge must rest upon an entirely different body of evidence. Some of it will be examined in later articles.

AFTER THE ACCIDENT ... WHAT



If you are liable for claims as the result of an automobile accident, drastic measures are taken to press payment. If cash isn't handy, your salary may be attached . . . your savings used up . . . your home and investments sold for what they will bring . . . your license taken away. . . .

But the autoist who is adequately protected with an American Surety or New York Casualty policy is safe from loss. If he is liable, the Company will pay claims in full, up to the amount for which the policy is written.

The financial standing of these Companies is ample evidence, throughout the United States and Canada, that the insured is "financially responsible".

AMERICAN SURETY COMPANY NEW YORK CASUALTY COMPANY HOME OFFICES: NEW YORK

Both Companies write Fidelity, Forgery and Surety Bonds and Casualty Insurance

Don't BLAME YOUR SECRETARY FOR LOST RECORDS



Loose papers are often misfiled or lost.
Result: Irritating and costly delays!
DON'T TOLERATE LOOSE PAPERS.
Bind your records use

ACCO FASTENERS

BOUND PAPERS ARE
safe PAPERS



Write for samples, descriptive literature and name of nearest dealer
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SALES AND INVENTORIES

(Continued from page 12)

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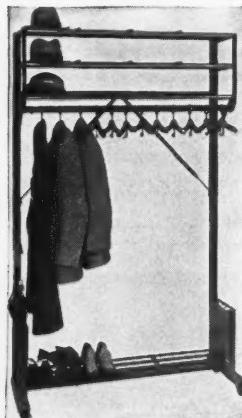
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somewhat sharper decline in chain store sales. Retail prices of shoes are estimated by trade sources at only 2 per cent lower in 1938 than in 1937; hence, the trend figures indicate some actual decline in number of pairs handled. Inventories in this trade moved down approximately in step with sales.

The survey sample of 455 lumber and building material dealers sold only 5 per cent less in 1938 dollar volume than in 1937. Apparently confusing are the facts that both total and residential building contracts were 9 per cent larger in 1938 than in 1937, while the Census Survey records a 17 per cent decline in building material sales during the first half of the year, as compared with early 1937. Average levels of construction costs during the two years in question were not far different—the decline was less than 1 per cent. Lumber deliveries reported by the National Lumber Manufacturers' Association were down by 15 per cent, but producers' stocks were depleted somewhat during 1938. On the basis of these, the compensated estimate of the retail sales decrease is set at 10 per cent.

Retail building material inventories followed sales downward, but not as rapidly, perhaps because inventories in the period from 1935 to 1937 had advanced less than half as rapidly as sales.

The survey sample of hardware retailers reported a 7 per cent decline, whereas the Commerce Department estimate covering building materials and hardware together was 11.5 per cent below 1937. The principal conclusion which can be reached is that the hardware trade suffered somewhat more than lumber and building materials and the compensated estimate has been so adjusted. Hardware retailers' inventories moved down at only one-fifth the rate of the sales decline. Perhaps again, as in the case of building materials, it was because the inventory increase during the previous two years had been half as rapid as the sales increase.

Building material retailing fared better than furniture in 1938, perhaps because of the stimulus of Government subsidies and Government construction in the housing field and in some part because the average consumer seems

to have been more interested in the roof over him than the chair or bed under him. After all is said by the advertiser and done by the retailer, the consumer still has the final decision in the expenditure of the national income. As indicated by the DUN & BRADSTREET sample, a drop of no more than 14 per cent was a good record, but even this decline was sharper than was experienced in any of the sixteen trades except automobiles. The Census Bureau found that the furniture trade in the first half was off by 24 per cent and Commerce Department places its year estimate at minus 17, mainly on the basis of eleven months' returns. Relatively favorable December business reported in some quarters makes it seem reasonable to scale this figure back to minus 16.

Furniture inventories among survey contributors declined only about one-third as fast as sales, if the year-end levels are used as a measure. It seems likely that some restocking went on in the late months of 1938 and it must be remembered that stocks increased during 1936 and 1937 only two-thirds as fast as sales volume. The present figures are not necessarily an evidence of over-loading.

V. SIZE OF PRELIMINARY SAMPLE

KIND OF BUSINESS	Concerns Number	1937 Sales in Thousands of Dollars
Manufacturing	1,871	3,397,913
Wholesaling	702	228,820
Retailing (Independent)	7,429	439,830
Groceries, and Groceries and		
Meat	857	28,571
Country General Stores	899	25,487
Farmers' Supplies	316	32,026
General Merchandise and		
Dry Goods	229	9,567
Variety Merchandise	143	2,886
Men's and Boys' Clothing and Furnishings	170	8,126
Women's Clothing and Accessories	216	8,060
Shoes	132	3,450
Furniture	268	15,327
Lumber and Building Materials	455	45,588
Hardware	359	13,205
Motor Vehicles	541	135,527
Filling Stations	605	15,403
Restaurants and Other Eating Places	142	5,124
Drugs	344	7,509
All Other Retail Trades	1,762	83,065
GRAND TOTAL	10,002	4,066,572

OVER THE EDITOR'S DESK

CONTRIBUTORS TO THIS ISSUE

After studying for his arts degree at Butler University, Indianapolis, Ind., Deryl J. Case (pages 32-34) pursued graduate work in economics and statistics at the University of Berlin, in Germany, the University of Grenoble, in France, and Northwestern University, in Evanston, Ill.

For three years Mr. Case was associated with the Graphic Arts Division of the National Recovery Administration and then in 1936 became a city supervisor for the Bureau of Labor Statistics in the part which it played in con-

tributed articles on anti-trust law prosecutions and the Temporary National Economic Committee; readers whose acquaintance with DUN'S REVIEW goes back a little farther will probably remember, too, his articles on the Robinson-Patman Act and the Undistributed Profits Tax.

SINCE last we set down a few lines about Dr. Morrow, when he contributed an article on prints for the May, 1937, number, two new activities have become a part of his after-work hours. He is now president of the Haden Etching Club—a society of doctors who are active amateurs—and president, too, of the American Veterans' Society of Artists. The latter organization is made up of veterans who are professional printmakers, painters, and sculptors; their president is also their only amateur member.

"Time Out For a Hobby" (pages 13-17) has been condensed from a series of articles which Dr. Morrow contributed to the magazine *Avocations* from July through November last year. He is also the author of *Art of Aquatint*, an occasional lecturer, and a former associate editor of *Prints*. In 1935 he was American editor of the British publication *Fine Prints of the Year*.

Professionally Dr. Morrow is a practising surgeon in New York, continuing a medical career which began with four years in the World War. In 1914, 1915, and 1916 he was with the Austro-Hungarian and Bulgarian armies as a neutral on the Eastern Front. In 1916 he returned to the United States and in the following year shuttled back to Europe to serve as attending surgeon with the Fourth Army Corps of the A.E.F., in the San Mihiel, Meuse-Argonne, and other sectors.

ducting the *Study of Consumer Purchases* (the underlying data for his present article). Following that he was for a time a statistician with the Standard Statistics Company. Since the latter part of 1937 he has been chief statistician of the division of marketing and research of Macfadden Publications, Inc.

IN AN early issue there will be added to "How Big is Big Business?" (pages 18-31) more of Edwin B. George's reflections about concentration in commerce and industry. Last year Mr. George

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C O N F I D E N C E

*H*E had been following a trail along the top of a ridge. Suddenly it started steeply down and went out of sight around a sharp corner. He wasn't a very good skier, and he looked ahead and shivered a little. A beautiful case of "lack of confidence." Why? First, because he had some doubts as to his ability to cope with the problems which the new trail was sure to present. Second, because he didn't know quite what these problems would be, and his imagination was strong.

The slope near the Inn might be more difficult, but it was familiar and he had navigated it successfully hundreds of times. He never shivered there—but this unknown trail was another matter. He thought of going back the way he had come, but his companion simply said, "Let's go," and started down.

In the clearing where the trail ended, he dusted off the snow from two spills taken on the way down, and said casually, "Not so bad."

Willard L. Thorp.
E D I T O R

